

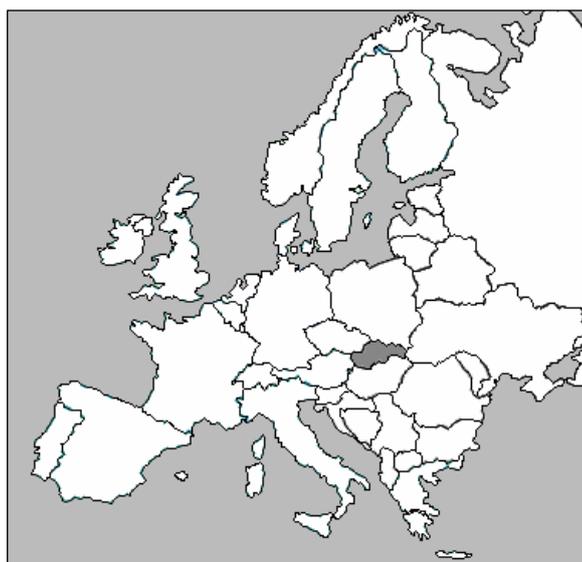


SECTORAL OPERATIONAL PROGRAMME

**AGRICULTURE
AND RURAL DEVELOPMENT**

2004 - 2006

SLOVAKIA



30 JUNE 2006

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1. INTRODUCTION

1.1 OPERATIONAL PROGRAMME

The Sectoral Operational Programme Agriculture and Rural Development (SOP ARD) represents the elaboration of one of the priority axes of the National Development Plan of the Slovak Republic for the period 2004-2006.

The Operational Programme is elaborated pursuant to the following basic legislation:

- Council Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds
- Council Regulation (EC) No 438/2001 laying down the detailed rules for implementation of Council Regulation (EC) No 1260/1999 as regards the systems of management and control for assistance granted under the Structural funds
- Commission Regulation (EC) No 1685/2000 laying down detailed rules for implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds

SOP A&RD is also elaborated in accordance with:

- Council Regulation (EC) No 1257/1999 on rural development financing from EAGGF
- Council Regulation (EC) No 1263/1999 on financial instrument for fisheries guidance (FIFG)
- Commission Regulation (EC) No 445/2002 laying down detailed rules for the application of Council Regulation No 1257/1999 on rural development financing from EAGGF
- Commission Regulation (EC) 963/2003 amending Commission Regulation (EC) No 445/2002 laying down detailed rules for the application of Council Regulation No 1257/1999 on rural development financing from EAGGF
- Treaty of Accession to the European Union 2003
- Commission Regulation No 1159/2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds

Note: SOP A&RD (Agriculture and Rural Development) takes account also of the newly-proposed Council Regulation (EC) amending Council Regulation No 1257/1999 on rural development financing from EAGGF and repealing Regulation (EC) No 2826/2000)

1.2 GEOGRAPHICAL DEFINITION

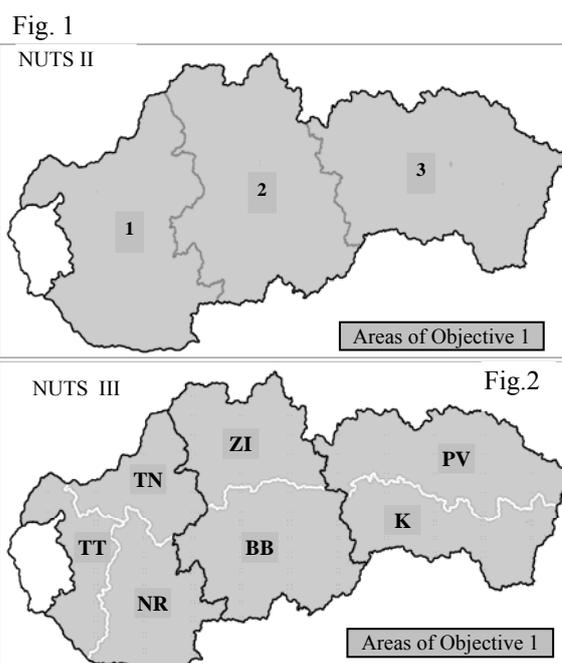
The Sectoral Operational Programme Agriculture and Rural Development of the SR in accordance with the National Development Plan of the SR relates geographically to the area falling within Objective 1 (territory other than the Bratislava region).

The figure 1 shows the Objective 1 areas into which the NUTS II level fall :

1. Western Slovakia
2. Central Slovakia
3. Eastern Slovakia

In figure 2 are shown the areas of Objective 1, into which at the NUTS III level fall the following:

Trnava region (TT), Nitra region (NR), Trenčín region (TN), Žilina region (ZI), Banská Bystrica region (BB), Košice region (KE), Prešov region (PV).



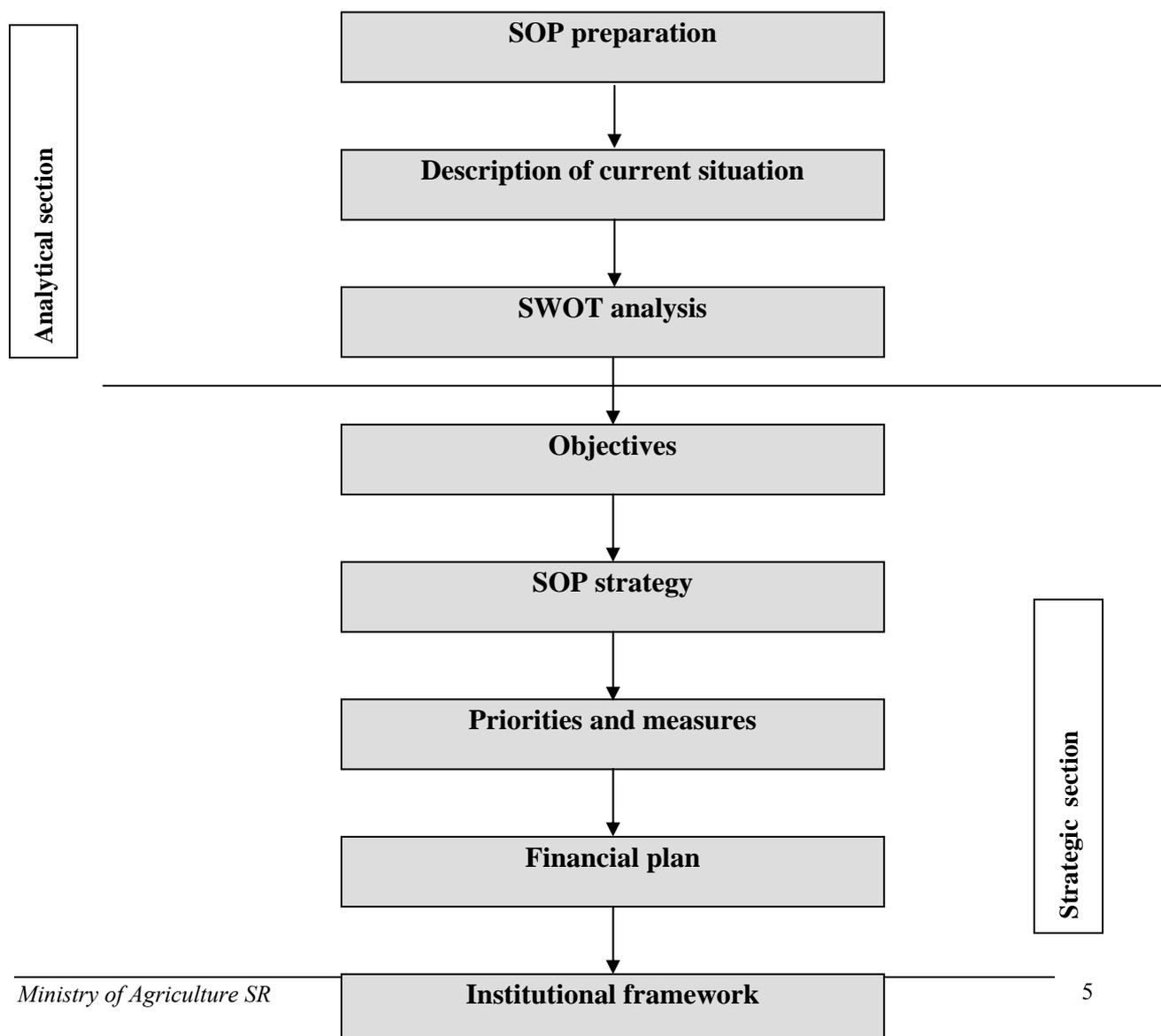
1.3 PROGRAMME STRUCTURE

SOP A&RD contains range of chapters. Before presenting the description of the current situation in the relevant areas at which the field of support is targeted, a clarification of the process of preparing the SOP will be given. The description of the current situation will provide an overview of the current national policies in the respective fields with their priorities and measures. The pre-accession instruments to date will be evaluated from the aspect of their impact as well as the use of existing national capacities and institutions.

An overall assessment of the current situation is presented in a SWOT analysis, from which is developed into a description of the Programme strategy as well as objectives, priorities and measures. The consistency between individual measures and financing tables illustrate the share and manner of financing individual measures as well as respective classification of sources from the guidance section of EAGGF+FIFG, national sources or the private sector.

The concluding chapter contains a description of the competent authorities and institutional framework related to the realisation of the Programme, while the recommendations and proposals from the ex-ante evaluation have been incorporated into the re-worked version of the Programme. The main comments and recommendations made by the ex-ante evaluation will be presented in the last part of the Programme together with comments from the social partners.

The structure of the Programme is reflected in the figure below. As it is indicated the Programme will be divided into two main parts, partly an analytical section, partly a strategic section.



2. PREPARATION OF SECTORAL OPERATIONAL PROGRAMME

As a part of preparing the SOP several activities have taking place due to ensuring co-ordination with other EU funded programmes, due to collect and incorporate needed information and data. In the following the main activities and actions carried out are described:

At the national level:

Preparatory Committee for Structural Funds

For the coordination and preparation of the National Development Plan of the SR and individual Sectoral Operational Programmes, there was established under the sponsorship of the Ministry of Construction and Regional Development of the SR the Preparatory Committee for Structural Funds. Members of this Committee are representatives of individual ministries involved in drawing up of programme documents, representatives of the Ministry of Finance SR and of social partners. The task of the Committee is the coordination of procedures, scheduling and consistency of plan and Programme preparation.

At the regional level:

Regional Inquiry for SOP Preparation

The Ministry of Agriculture of the SR as the Managing authority for preparation of the SOP Agriculture and Rural Development, in April 2002 addressed regional units with a questionnaire for presenting their own proposals for priorities and measures for the Programme under preparation. The survey was conducted through 36 regional offices of the Ministry of Agriculture of the SR, which addressed regional economic, self-government and non-profit organizations. The results of the enquiry were evaluated and included in the draft SOP.

At the departmental level:

Working Group for the Preparation of SOP

In the framework of the SOP a working group for the preparation of the SOP was established at the Ministry of Agriculture SR, and which comprised representatives of 7 self-governing regions, affected ministries (Ministry of Economy SR, Ministry of Environment SR, Ministry of Construction and Regional Development SR, Ministry of Finance SR), social partners (Slovak Agricultural and Food Chamber, Rural Parliament), tertiary sector, departmental institutions and respective sections of the Ministry of Labour SR. Members of the group were informed on the proposed priorities and measures from the side of regional units and at a meeting held on 3.10.2002 they expressed their agreement with the presented framework draft SOP. On the basis of comments from the side of the Rural Parliament and the tertiary sector, the execution of pilot activities for the Leader+ initiative was included in the draft measures. Partners from the Agricultural Chamber and other social partners had several times meetings with managing authority in order to discuss the measure in SOP. Agricultural Chamber expressed an opinion to incorporate, first of all, the support of machinery and technologies for farmers and the processing companies. This opinion was accepted.

Draft versions of the SOP were regularly consulted with socio-economic partners as well as outside the working group and their comments or proposals for amendments were incorporated into the SOP where the relevant legislation enabled it.

Meeting of the Management of the Ministry of Agriculture of the SR

The draft SOP was the subject of discussions of 3 meetings of the Ministry's management:

- October 2002 – framework draft SOP
- November 2002 – Draft SOP (I. version)
- February 2003 – Draft SOP (II. version together with financial allocation)

Public information:

The framework draft SOP Agriculture and Rural Development was published in October 2002 in a daily newspaper with the nationwide coverage (Roľnícke noviny – Agricultural Newspaper) and

displayed on the Ministry's website. Following its publication on the web-site of the Ministry of Agriculture of the SR, entities not being members of the working group were also offering their proposals for amendments, such as Slovak Association of Bee-farmers, Slovak Association of Millers, Association of Cooperative Farms and Commercial Companies of the SR, Union of Poultry Producers of Slovakia, Mills and Bakeries Krupina. The Managing Authority also has led discussions with these entities and consulted their proposals. The above mentioned activities satisfied the principles of partnership in the course of elaborating the basic Programme document which sets the Community Support Framework for Agriculture and Rural Development in the period of 2004 – 2006.

Continuity with the Pre-Accession Programme

The European Union has prepared for associated countries pre-accession instruments for institutional preparation up to the accession period. The agriculture and rural development sector has the opportunity for preparation through the SAPARD Programme. The SAPARD Programme was prepared with the intention in order that experience from programming and institution creation is used in the period following EU accession.

In the field of programming.

In the Rural and Agricultural Development Plan of the SR for the SAPARD Programme the following priorities and measures were approved

Priority no. 1: Improvement of the agricultural production sector, including food-processing industry;

Measure no. 1: Investment in agricultural holdings

Measure no.2: Improving the processing and marketing of agricultural and fishery products

Measure no. 3: Setting-up of producer groups

Priority no.2: Sustainable rural development

Measure no.4: Diversification activities in rural areas

Measure no.5: Forestry

Measure no.6: Agricultural production methods designed to protect the environment and maintain the countryside

Measure no.7: Land consolidation

Priority no. 3: Development of human activities

Measure no.8: Human resources development

Measure no.9: Technical assistance

The proposed SOP is linked to the measures of SAPARD Programme no. 1, 2, 4, 5, 7, 8, 9.

** Details on the use of pre-accession programmes are given in Annex 3.*

In the field of institutional provision:

The accredited SAPARD Agency forms the basis of the newly-established Agricultural Paying Agency (APA). It is expected that all seven regional workplaces and the central workplace in Bratislava will be used fully. The Agency has qualified staff that has sufficient experience for the execution of activities in the implementation of SOP. This has been also confirmed by the European Commission in the proposed position.

The managing authority for the SAPARD program has experience with programming, Programme management, evaluation coordination and execution of activities of the secretariat of the Monitoring Committee. The managing authority has also ensured the tasks relating to the STAR Committee of European Commission. The managing authority of the SAPARD Programme has been charged with the management of SOP.

3. DESCRIPTION OF THE CURRENT SITUATION

3.1. DESCRIPTION OF BASIC POLICIES

3.1.1 Field of Agriculture and the Food Processing Industry:

In the year 2000 the Agrarian and Food Industry Conceptual Policy to 2005 was adopted.

Objectives and priorities of the Agrarian and Food Processing Industry Policy of the SR:

The medium-term objective of the agrarian policy is to strengthen the efficiency and competitiveness of the agro-foods sector in order to achieve appropriate utilisation of domestic factors of production, as well as advantages of international trade, respecting the environmental and social functions of agriculture.

With regard to this it is necessary to:

- Speed up restructuring of the business sector of agriculture and food production,
- Strengthen the marketing and financial infrastructure of the agro-foods sector,
- Support modernisation and technological innovation in agricultural primary production and in the food-processing industry,
- Create and implement an institutional basis for realising market potential, direct supports and supervision over the foods market, compatible with the *acquis communautaire* in the field of common organisation of the market and regulation of the internal market and to improve the functioning of these organisations in order that they may, after gaining full EU membership, take over tasks ensuing from it.

Pillars of the agrarian and food industry policy, programmes and instruments:

Pillar I. Market regimes for the main commodities.

Programme 1 – Organisation of the market in selected commodities.

Programme 2 – Improvement in the conditions of agrarian foreign trade.

Pillar II. Support for operations in poor productive conditions.

Programme 1 – Support for disadvantaged areas.

Programme 2 – Sheep and goat rearing.

Pillar III. Modernisation and diversification in agriculture.

Programme 1 – Modernisation and diversification in agriculture,

Programme 2 – Modernisation and restructuring in the food processing industry.

Programme 3 – Support for the realisation of ownership rights.

Programme 4 – Support for speeding-up the restructuring of business entities.

Pillar IV. General services and preparation for EU accession.

Programme 1 – General services for agriculture and the food processing industry.

Programme 2 – Development of human resources in agriculture and food processing industry

Programme 3 – Preparation for EU accession.

Pillar V. Environmental measures.

Programme 1 – Agro-environmental programme.

Programme 2 – Environmental investment.

Similarly as in the past year, the Slovak agricultural and food policy in 2001 was implemented through the Ministry of Agriculture, the State Fund for Market Regulation in Agriculture, the State Support Fund for Agriculture and Food Industry, the State Fund for the Protection and Enhancement of Agricultural Land, as well as through other institutions within and outside the sector.

MA SR secures the implementation of the agricultural and food policy chiefly through the provision of direct support and subsidies to farmers, and for coordinating preparations in the sector for accession to the EU. Ordinance of the Ministry of Agriculture of the Slovak Republic of 18 December 2000 No. 3809/2/2000-100 on Support in Agriculture, and its Amendment No. 2367/2/2001-100 of 4 September 2001, which promulgates the following development programmes of agricultural and food policy starting in 2001:

- Market regimes – compensatory payments in crop and animal production were provided within these,
- General services for farmers – with support of maintaining and enhancing the genetic potential of plants and animals,
- Organic farming – includes support to farmers registered in the organic farming system and applying organic farming practices, grassing and restoration of persisting grasslands (PG),
- Modernization and support to structural changes – a scheme designed to improve farmers' access to operating capital, reduce the level of risk in agricultural production.

Current national economic policies cover the following areas:

- Agricultural and food-processing, rural development,
- Forestry and water management,
- Settlement of titles to land.

The State Support Fund for Agriculture and Food Industry (SSFAFI)

Designed to aid agriculture and food industry development by low-interest loans and providing loan guarantees.

Agricultural enterprises could have applied for support in the form of:

- a) Loans: - up to a max. 70 % of expenditure,
 - Usually up to 20 mil. SKK,
 - With interest rates 5-8 % p.a.,
 - Maturity from 1 to 10 years
- b) Loan guarantees from banking establishments
- c) Partial reimbursement of interest on bank loans
- d) Combination of loan guarantees and partial reimbursement of interest costs.

In 2001, the SSFAFI provided to farmers, food processors and service providers 930 mil. SKK in low-interest loans and 51 mil. SKK in reduced interest cost of commercial loans, which improved the liquidity and inflow of funds into the sector. In addition, the Fund ran a new scheme for the support of employment in selected regions with a total allocation of SKK 100 million.

Table: Usage of SSFAFI resources in agriculture, services and food-industry (in mil. SKK)

Year	Loans	Interest reimbursement	Total
2000	861,9	54,0	905,9
2001	930,0	51,0	981,0
Index 2001/2000	108,1	94,4	108,3

Source: SSFAFI

Elaborated: RI AFE

The SSFAFI was abolished by operation of Act No. 553/2001 Coll. on the Dissolution of Certain State Funds and on measures connected therewith.

The State Fund for Market Regulation of the Slovak Republic (SFMR)

By decision of the SFMR Board, the following agricultural and food commodities were subject to market regulation in 2001: slaughter bulls, beef and pork meat, sugar beet, sugar and isoglucose, common wheat and fodder cereals, malt, potatoes, tomato purée, frozen peas and sweet corn.

The markets of these commodities were regulated through quantity quotas, minimum and guaranteed prices, imports of fodder cereals for storage and subsequent sale, price interventions in the sale of imported cereals, and export subsidies.

Table: Sources of SFMR in 2001 in mil. SKK

Indicator	Budget	Reality
Balance as of 1 January 2001	1 884,4	1 884,4
Transfers from the State Budget (from NPF)	300,0	300,0
Sales of intervention stocks	1 783,3	1 643,5
Received loans	1 889,1	1 831,7
Interest received	36,2	47,1
Loans instalments	1 022,1	1 024,6
Other revenues	72,0	154,1
Total revenues	5 102,7	5 001,0
Resources total	6 987,1	6 885,4

Source: SFMR in agriculture
Elaborated by RI AFE

Under Act No. 491/2001 Coll. On the Organization of the markets in selected agricultural products, the SFMR was transformed, as of 1 January 2002, into Agricultural Intervention Agency.

The State Fund for Protection and Enhancement of Agricultural Land (SFPEAL)

The purpose of this fund was securing financial support for realization of measures intended to protect, preserve and restore the natural properties of the soil and ensure the overall enhancement of the agricultural land resources (primarily to support the restoration of irrigation systems – 115,4 mil. SKK, building of protective structures – 147,3 mil. SKK, repair and maintenance of soil reclamation technologies – 120 mil. SKK and fertilization of the land left behind by bankrupted subjects – 19,5 mil. SKK).

In 2001, especially more balanced proceeds from the fees for agricultural land withdrawal, (formed 115,3 % of expected projected annual proceeds) created fund sources which were used mostly to discharge its obligations towards applicants and for supporting the realization of measures on the basis of applications of agricultural subjects (this support has decreased by 13 % compared to previous year).

Table: Provided financing from SFPEAL into agriculture (in mil. SKK)

Type of expenditures	2000	2001	Index 2001/2000
Capital expenditure	266,8	275,3	103,19
Non-investment expenditure	617,3	496,2	80,38
Total	884,1	771,5	87,26

Source: Annual report on creation and usage of SFPEAL, MA SR
Elaborated: RI AFE

With effect from 1 January 2002, SFPEAL was abolished under Act No. 553/2001 of Codex and the fund resources were transferred into the budget of MA SR in accordance with ratified proposal for transformation of the state funds, whereby the continuity of its activities, both in terms of time and volume, will not be affected.

Table: Overall state funds support of agriculture and food industry

State funds	2000	2001	Index 2001/2000
Funds sources	3 251,5	4 929,6	151,61
SFMR	1 451,5	3 177,1	218,88
SSFABI	915,9	981,0	107,11
SFPEAL	884,1	771,5	87,26

Source: SSFAFI, SFMR, SFPEAL and internal calculations

Elaborated: RI AFE

Act of SNC No. 330/1991 Coll. on Land Re-parcelling, Settlement of Titles to Land, Land Registration Offices, Land Fund and Associations of Landowners. Pursuant to Act No. 180/1995 Coll. on Certain Measures Facilitating the Settlement and Registration of Land Titles settles land re-parcelling and land consolidation. By the end of 2001, administrative authorities assigned 265 617 ha of farm land to owners' disposal, from that 37 082 ha of previous land and 229 535 ha for substitute use. In the course of 2001, Slovak Land Fund (SLF) has provided restitution compensations worth 218,252 mil. SKK in the form of gratuitous transfer of immovable property, securities or cash.

Support for farmers in less favoured areas

In 2001, the support was carried out by:

- Support of persisting grasslands cultivation, through subsidies to sustain the quality of the soil by means of grazing and scything (2 296 mil. SKK),
- Support to the cultivation of arable land – subsidy to offset reduced income due to less favoured production conditions (912 mil. SKK),
- Subsidy to offset lower revenues due to less favoured production conditions of the growing of special permanent crops (46 mil. SKK).

The total amount in the support for farming in less favoured areas was 3 364 mil. SKK in 2000 and 3 254 mil. SKK in 2001.

Environmental payments

Ecological measures were supported from multiple sources. The highest amount was provided by the state funds. In non-investment expenditure, SFPEAL has supplied 617,3 mil. SKK in 2000 and 372,8 mil. SKK in 2001 for improvement of the soil fund.

SFPEAL financed also protective and soil enhancing investments. Furthermore, environmental payments from subsidies were provided.

Table: Environmental measures support (in mil. SKK)

Ecological measures	2000	2001	Index 2001/2000
<i>Environmental payments from subsidies</i>			
- Land grassing support	95	149	156,84
- Organic farming	71,4	129	180,67
- Bio-diesel production support	0,6	14	2 333,33
- Planting of crops for fuel bio-mass	23	6	26,09
<i>Soil improvement measures from SFPEAL</i>	-	-	-
Environmental payments total	617	373	60,45
<i>Soil protection and enhancement investments from SFPEAL</i>	712	582	81,74
	108	147	136,11
Non-repayable support of environmental measures total	820	669	81,59
	5	8	160,00
<i>Loans from SFPEAL for investments</i>	825	678	82,18
Environmental measures support total			

Source: MA SR

Elaborated: RI AFE

Agricultural inputs support

The support measures were focused on the financing of capital expenditures. State budget subsidies were their main source. Apart from them, farmers could also receive support from the State funds. The total amount of the support included also operational inputs. In 2000 348 mil. SKK was dedicated to support operational inputs and in 2001 it amounted to 375 mil. SKK.

Table: Support to investments in fixed assets in mil. SKK

Support type	2000	2001	Index 2001/2000
Capital inputs from State Budget subsidies	1 204	1 734,5	144,06
Capital expenditures from State funds	213	166	77,93
Non-repayable subsidies to support investments in fixed assets	1 417	1 900,5	134,12
Loans from SSFAFI	862	930	107,89
Total support to investments in fixed assets	2 279	2 830,5	124,20

Source: MA SR

Elaborated: RI AFE

General services support

Measures designed to support general services were financed from several different sources: directly from the budget for MA SR, state budget subsidies, funds of PHARE and other foreign educational programmes. MA SR provided the highest amount, and these resources were used for support of:

- Science, research and agricultural consultant services,
- Agricultural vocational schools for preparation of agricultural workers,
- Inspection services,
- Infrastructure including land re-parcelling projects,
- Marketing and promotion.

The support of general services was in 2000 funded by 1 493 mil. SKK and in 2001 1 308 mil. SKK from the state budget.

Measures for rural development

In line with the Council Regulation No.1268/1999 of 21 June 1999 on Community support for pre-accession measures for the development of agriculture and rural development, three basic conditions for the SAPARD programme were met – drafting of a plan for agricultural and rural development, signature of a multi-annual and annual financing agreement between the Commission of the European Communities and the Slovak Republic, and accreditation of the SAPARD Agency.

Subsidies from the state budget were used to support the development of agro-tourism, rural areas and the diversification of economic activities, mainly for the financing of capital expenditures (production inputs).

Within the pilot project for rural development, the Rural Development Fund received an allocation of 24 mil. SKK from the state budget, EU contributed the same amount.

In addition, the State Support Fund for Agriculture and Food Industry provided loans to stimulate investments and increase employment in selected regions totalling 48 mil. SKK in 2001.

Table: Support to rural development (mil. SKK)

Rural development measures	2000	2001	Index 2001/2000
Support to rural development, total	56	97	173,21
- Rural development Fund	21	24	114,29
- Subsidies from the State Budget	35	73	208,57

Source: MA SR

Assessment of support measures in agricultural and food policy

In 2001, the agricultural and food policy was supported from multiple sources. The chief contributor of various measures was the State budget. The conditions for granting and providing state budget subsidies became stricter in order to make the system of the subsidy support for accepted development programmes more effective. The state budget expenditure for support of agricultural and food-processing business activities decreased from 11 277 mil. SKK in 2000 to 9 091 mil. SKK in 2001, i.e. they fell by 2 180 mil. SKK. In 2001, entrepreneurs conducting their business in less favoured and mountain areas enjoyed greater attention, the support for their activities was designed to offset their disadvantaged conditions (3 578 mil. SKK).

In the subsidies to the support for business activities (5 402 mil. SKK), the highest share went to application of market regimes (49,8 %) and modernization and support to structural changes (38,6 %). The subsidies to support the general services including the support of maintaining and enhancing the genetic potential of plants and animals represented 8,8 % and organic farming support 2,8 %.

The increase of capital expenditures from State budget enabled the realization of modernization programme and this meant a more significant increase in capital expenditures in the industry.

Subsidies effectiveness

The state subsidies can only be granted when a special rule is observed.

The applicant (physical or legal person) must therefore demonstrate economic viability of the business enterprise by meeting at least two of four criteria set for financial standing assessment. It is required, that the fulfilling is shown for the past consecutive three years, i.e. since 2000.

The assessment is carried out according to these indicators:

1. Sales profitability
2. Share of added value in production
3. Assets utilization
4. Total debt of assets.

The subsidies provided by MA SR were used in the following areas:

- To support and maintain employment;
- ⇒ Support of farming in less favoured areas:
 - To sustain the quality of the soil by means of grazing and scything;
 - To offset reduced income due to less favoured production conditions;
 - To offset lower revenues due to less favoured production conditions of the growing of special permanent crops;
- ⇒ Agricultural inputs support to:
 - Purchase new machinery for crop and animal production and agricultural services;
 - Purchase irrigation systems;
 - Reconstruction and planting of vineyards, orchards, hop gardens, plantations of small fruit, asparagus and medicinal herbs, including seed stock, and reconstruction of greenhouses and unused buildings for mushroom growing;
 - Modernization and purchase of new technologies;
 - Cost efficient utilization of energy resources;
 - Reconstruction and modernization of production capacities and technologies in plant and animal production;
 - Reconstruction and upgrading of technologies and for investments in the food sector aimed at attaining the EU hygienic standards and food quality;
 - Special tomato-harvesting technologies on large fields;
 - Containers for the transport of specified risk material to rendering plants;
 - General services.

Table: Regional distribution of national support – subsidies into the regions of SR in 2001

Regions SR	Subsidies in mil. SKK	Subsidies in %
MA SR Banská Bystrica	241 068 555	3,19
MA SR Bardejov	153 842 357	2,03
MA SR Bratislava	486 286 553	6,43
MA SR Čadca	138 852 487	1,83
MA SR Dolný Kubín	306 808 148	4,05
MA SR Dunajská Streda	240 362 440	3,18
MA SR Galanta	154 108 754	2,04
MA SR Humenné	231 110 017	3,05
MA SR Komárno	222 576 894	2,94
MA SR Košice	214 845 543	2,84
MA SR Levice	205 964 474	2,72
MA SR Liptovský Mikuláš	279 752 621	3,70
MA SR Lučenec	223 480 103	2,95
MA SR Martin	146 394 514	1,93
MA SR Michalovce	294 023 704	3,89
MA SR Nitra	288 335 858	3,81
MA SR Nové Zámky	207 486 243	2,74
MA SR Poprad	287 013 778	3,79
MA SR Považská Bystrica	151 826 203	2,01
MA SR Prešov	198 176 251	2,62
MA SR Prievidza	184 450 648	2,44
MA SR Rimavská Sobota	298 906 250	3,95
MA SR Rožňava	135 695 336	1,79
MA SR Senica	128 927 985	1,70
MA SR Spišská Nová Ves	128 226 396	1,69
MA SR Stará Ľubovňa	124 064 599	1,64
MA SR Svidník	142 093 751	1,88
MA SR Topoľčany	108 532 858	1,43
MA SR Trebišov	233 104 251	3,08
MA SR Trenčín	309 973 866	4,10
MA SR Trnava	280 556 700	3,71
MA SR Veľký Krtíš	164 411 790	2,17
MA SR Vranov n/Topľou	108 949 110	1,44
MA SR Žiar n/Hronom	123 523 012	1,63
MA SR Žilina	125 208 866	1,65
MA SR Zvolen	298 365 705	3,94
TOTAL	7 567 306 705	100,00

Source: MA SR

In the course of years 2001 – 2002, the amount of subsidies has decreased, which was more remarkable in better natural production conditions. It was influenced by a minimum decrease of the amount of subsidies to support of the farming in less favoured conditions (which represented over 50 % of the total amount of the subsidies) and more notable decrease of other subsidies aimed to support the implementation of development programmes.

With regard to the year 2000 being exceptional, in terms of climate conditions and the amount of provided subsidies, a more detailed analysis of subsidies impact in different production conditions for the period of 2001 – 2002 is as follows:

Table: Balance of subsidies in worse and better natural conditions in SKK/ha p.p. and their impact on selected indicators

Indicator	WNC			BNC		
	2001	2002	Index 02/01	2001	2002	Index 02/01
in SKK/ha p.p.						
Subsidies total	4 560	4 060	89,21	3 670	3 089	84,69
- into operation	3 899	3 573	91,36	2 825	2 424	85,79
- support of less favoured conditions	2 287	2 273	99,39			
- capital expenditures	661	487	73,68	845	665	78,58
Profit	32	30	94,34	1 113	668	60,05
- without subsidies into operation	-3 867	-3 543	108,23	-1 712	-1 756	97,49
Revenues total	27 445	27 606	100,59	47 461	49 560	104,42
- without subsidies into operation	23 546	24 033	102,07	47 136	47 136	105,60
in % or per 100 SKK			Difference 02-01			
Cost rentability	0,17	0,11	-0,06	2,40	3,59	1,19
- without subsidies into operation	-14,11	-12,85	1,31	-3,69	-3,59	0,10
Effectiveness of invest. subsidies	412,98	485,03	72,05	1211,46	1511,46	300,0
Share of subsidies in revenues	14,21	12,94	-1,27	5,95	4,89	-1,06
Invested subsidies/fixed assets acquired	15,28	11,43	-3,98	14,06	8,82	-5,24
Subsidies total/internal resources	19,39	17,07	-2,32	9,83	7,87	-1,96

Source: RI AFE

3.1.2 Field of Forestry:

In the year 2000 the Conceptual Policy for Forestry to 2005 was also adopted.

The programme objectives of the forestry policy to 2005 may be specified as follows:

- Solving principal problems of the administration and utilisation of forests in Slovakia in the interest of ensuring permanent benefit for their owners and the fulfilment of publicly beneficial functions,
- Mitigating and removing the consequences of the effect of significant anthropogenic harmful agents, in particular emissions from foreign sources on forests,
- Optimal utilisation of the productive abilities of forests – especially extraction possibilities with the objective of creating sufficient financial resources for covering costs in cultivation activities, as well as for the recovery and administration of tangible and intangible fixed assets, to improve the material and social conditions of employees working in forestry,
- Creating sufficient income sources in the form of supplementary activities in forestry and fee-charging for publicly-beneficial services, to maintain the level of employment and to ensure stability and rural development in regions having a significant representation of forests,
- Strengthening supervision over forestry and, according to financial possibilities, to raise the level of their management and protection, reappraisal and rationalisation of activity in forestry management, consultancy, science and research and finalising the institutional arrangement in forestry,
- Development of international relations and compatibility in basic forestry issues with European Union countries.

Pillars of the arrangement of ownership, administration of the forest land fund, forestry management and forest protection:

Pillar I. –Arrangement of ownership, administration and compensation for use of forest lands.

Programme 1 – Ownership, administration of forest lands, compulsory rent and settlement of expenses for limiting ownership relations. Resolving the administration of forest roads.

Programme 2 – Grouping of non-state forest owners, legal arrangement of land societies and management of insufficiently managed forests by owners of non-state forests.

Programme 3 – Stabilisation of the state enterprise Lesy SR Banská Bystrica.
Institutional arrangement of forestry.

Pillar II. –Forestry management and protection.

Programme 1 – Recovery and tending of forest stands.

Programme 2 – Forestation of land unusable for agriculture.

Programme 3 – Extraction and extraction-production technologies, improving accessibility to forest stands.

Programme 4 – Non-traditional utilisation of forest products, forest management and rural development.

Programme 5 – Monitoring of the healthy state of forests and their protection, sanitation measures in forests damaged by emissions.

Pillar III. –Increasing efficiency in forestry management, stabilisation of social policy.

Programme 1 – Reduction of costs and increasing earnings – defrayment of publicly beneficial services.

Programme 2 – Timber – the raw material of the 21st century, joint conceptual forest and timber policy.

Pillar IV. –Harmonisation of forestry legislation, institutional arrangement.

3.1.3 Field of Rural Development

In 1998 the Conceptual Policy for Rural Development in the Slovak Republic was adopted.

Basic objective of the conceptual policy:

To ensure an adequate standard of living and improvement in the quality of life of the rural population, sufficient job opportunities and adequate incomes by means of economic activities in the field of agriculture, forestry, water management, the processor industry, traditional crafts, services and tourism, creation of an appropriate social climate, protection and formation of a healthy environment.

The conceptual policy has 4 basic fields of rural development:

1. Economy and employment
2. Protection and creation of the environment
3. Human resources development
4. Development of a scientific-research base

3.1.4 Field of Land consolidation

In 1993 the Conceptual Policy for the arrangement of land ownership in the Slovak Republic was adopted.

The conceptual policy has the following fields:

- Recovery and updating of the land ownership register
- Utilisation of land property
- Reconstruction of land property – Legislative measures
- Land consolidation.

3.2. DESCRIPTION OF THE CURRENT SITUATION IN INDIVIDUAL FIELDS

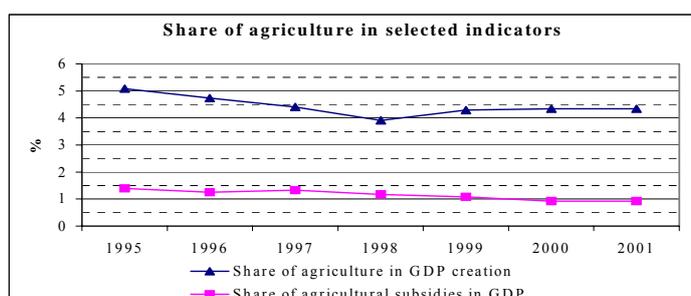
The Slovak Republic is situated in the centre of Europe between geographical coordinates 47°44' and 49°37' of north latitude and between 16°50' and 22°34' of east longitude. It borders 5 countries: the Czech Republic, Poland, Hungary, Austria and Ukraine. The total border length is 1672 km, of which: with Hungary it is 668.6 km, Poland 547.1 km, Czech Republic 251.8 km, Austria 106.0 km and Ukraine 98.5 km of shared border.

Slovakia has 5.379 million inhabitants. It spreads over the area of 4 903 347 ha, of which farm land makes 2 439 408 ha (49.9%), forest land 2 002 130 ha (40.7%), water areas 92 931 ha (1.9%), built-up areas 222 475 ha (4.4%) and other areas cover 146 403 ha (3.1%). The average residential density is 109.9 residents/square km.

3.2.1 Agriculture

The importance of agriculture in the economy shows a permanent decline from the aspect of its share in GDP as well as in employment. In 1989-1990 the share of agriculture in GDP fell to 8% and in employment to 12%, where this long term decline continued in 2001, representing 4.89% of GDP and 7% of employment

Source: Statistics Office SR



Production performance of agriculture

Gross agricultural production (GAP) at 1995 prices (mill. SKK)

	1997	1998	1999	2000	2001
GAP	62 052	57 884	51 412	45 068	48 578
of which: Gross plant production	27 117	28 479	24 389	17 793	20 929
Gross livestock production	34 935	29 405	27 023	27 275	27 649

Source: Economic Agriculture and Food Processing Research Institute Bratislava

Table: Agriculture in national economy

	1990	1992	1997	1999	2000	2001
GDP – (constant prices in 1995) (mild. SKK)	599,2	478,5	615,9	653,3	667,7	689,8
Share of food and agriculture sector in GDP (%)	7,37	6,22	5,13	4,88	4,93	4,89
Gross agricultural production (constant prices 1995) (mild. SKK)	79,1	56,3	56,0	51,4	45,1	49,56
– gross plant production	34,9	26,6	23,3	24,4	17,8	22,19
-- gross animal production	44,1	29,7	32,7	27,0	27,3	27,37

Source: Statistical Office of SR

In plant production changes have occurred in the crop structure. On ploughed soil the representation of cereals, oil crops and vegetables has raised acreage of yearly and multi-year fodder crops, potatoes, sweet corn and legumes has fallen. In the overall structure of agricultural land the acreage under

permanent graminaceous plantation rose and the share of the share of hop-gardens, vineyards and orchards fell.

Main grown commodities: cereals, oil crops and vegetables. Share of fodder plants, potatoes, corn and leguminous plants is decreasing.

Table: Area and production of the main crops on farmland

Land area (thous. ha):	1990	1998	1999	2000	2001
Cereals	776	860	733,2	812,4	825,6
Oil crops	71	140	225,8	173,9	180,7
Sugar beet	51	35	34,5	31,7	31,5
Potatoes	55	29	26,8	27,0	26,2
Production (thous. t):					
Cereals	3 617	3 488	2 829	2 201	3 212
Oil crops	141	236	378	260	372
Sugar beet	1 581	1 331	1 405	961	1 287
Potatoes	779	412	385	419	323

Source: Definitive data on yield of SR.

In animal production there persist shortcomings in nutrition, feeding equipment and treatment of animals, which causes under-utilisation of utility and reproduction capacities. In bovine cattle rearing the period 1990 – 1998 was characterised by a permanent fall in the numbers of animals reared, accompanied by a change in the breed structure through an increase in the share of dairy-use types in rearing, enhancement of the dairy utilisation of animals, alongside a reduction in the number of dairy cattle. The most marked technological change in livestock production is occurring in the transition to the free stabling of animals. Pig-breeding production following a sharp fall is stagnating and does not meet domestic demand. Development in poultry breeding has a positive trend.

Profitability of vegetal production has increased against 1990 (with subsidies as well as without), while livestock production was primarily loss making throughout the whole period, with this being particularly deep in the years 1991 – 1993.

In 2001, the undertakings in primary agricultural production reported a profit (SKK 605 mill.) for the first time since 1990 (medium and large undertakings: SKK 544 mill., small undertakings: SKK 61 mill.). Both types of undertakings – cooperatives and trading companies – improved their economic performance. The former posted a profit of SKK 246 mill., which was SKK 1008 mill. more than the last year's negative result. The latter reported a profit of SKK 374 mill., which was also higher than in the year before.

Small trading companies show lower profit (1014 SKK/ha) than large cooperatives (1583 SKK/ha), but the indexes of profitability are more prosperous for them, regarding big differences in the amount of used capital and costs.

Property of the undertakings and capital indebtedness in 2001 according to the quantitative group

	Capital, total (SKK per1 ha)			Total capital indebtedness (%)		
	Companies total	Cooperatives	Trading companies	Companies total	Cooperatives	Trading companies
Small undertakings total	27 858	32 851	23 962	50,25	35,28	66,27
Medium undertakings total	49 768	52 357	41 739	31,13	24,36	53,46
Big undertakings total	62 722	66 482	48 069	22,74	18,24	37,27

Source: www.mpsr.sk

According to the quantitative groups are the small and medium undertakings most indebted. However, competitiveness does not depend on the largeness of the farms, but on the contribution of capital, productivity of labour, efficiency of the company, macro and microeconomic conditions, level of utilization of the technology, high quality and sufficient use of the processing capacities.

In the year of 2001 72% out of 1459 legal persons (agricultural cooperatives, trading companies), which manage 90% of agricultural land were profitable despite the problems connected with the restructuring of agri-sector (privatisation, lower labour productivity, lower profitability, indebtedness). These companies managed the land with the average acreage of 1241 ha of agricultural land.

Source: The Green report 2002.

In the year of 2001 there were 5681 natural persons (private farmers) the average acreage of agricultural land represented 39.2 ha. For comparison the average acreage of agricultural land in the Czech Republic represents 29 ha.

Percentage of profit and loss making legal and natural persons is approximately the same (approx. 70% profit and 30% loss making). As regards total, primary and secondary insolvency there are no notable differences in terms of percents. The differences can be seen only in financial volumes what is connected with the differences in output volume resulting from the size of a company and volume of loans.

While the whole economy of Slovakia is markedly dominated by companies up to 10 employers (80 %), their share in agriculture is approximately half (42 %), but major companies are from 10 – 250 employers (all 56 %). These differences may signify scarce re-structuring of big agricultural companies of the previous era and at the same time a small share of new companies, which have not started through transformation or privatisation. It is quite difficult to predict the trends in this field, because a lot depends on the competitiveness of our companies after becoming a member state of EU. Some of the companies may go bankrupt; some merge and create large companies. Another possibility is the creation of small family farms, specializing in national products or other attractive commodities.

As for the non-farming income in agricultural entities it accounted for 2 % of the total revenues in the year of 2001. From this aspect the diversification is desirable. (*Green report 2002*)

Buildings and constructions

The main part of capital invested in agriculture is concentrated in livestock production buildings. The number of buildings for stabling livestock exhibits a permanently declining trend, especially in the case of bovine cattle.

A fall has been observed in storage and processing capacities, which was accompanied by a growth in the number of buildings suitable for storing cereals and air-conditioned storage buildings for fruit and vegetables and facilities for storing potatoes. A significant fall was recorded in the number of handling stores for primary post-harvest processing of fruit and vegetables and buildings closely connected with livestock production, such as silos. The situation is unsatisfactory in the state and capacity of technical facilities for storing excrement from livestock.

Machines and equipment

Trends in the development of the agricultural technical base are significantly marked by obsolescence of the whole state of the technical equipment in consequence of the very slow rate of its replacement and renovation. Sugar beet harvesting is currently the best provided with new equipment in comparison with other commodities.

Development of the business sector structure

During the transformation process, applied forms of business activities have expanded, transformation of cooperative farms' ownership and state properties privatisation have been carried out. The concentration of businesses has decreased. The restructuring of the business sphere was affected by

loss-making economy in this field during 1991 – 2000. Newly established subjects preferred forms of business with lower level of personal responsibility for company liabilities.

Farms of unregistered physical persons – households with agricultural production, which have fulfilled minimum limits for being included in Agro-census (agricultural qualification).

Registered physical persons – conducting their business usually as independently operating farmers (IOF) or a farmer, other legal forms are minor (sole traders, free trade) The number of IOF (farmers) is decreasing while the area of cultivated land is simultaneously increasing. IOF are managing with profit and some part of them is increasing the concentration of business. Particularly smaller farms, which came into existence without real success expectation, are vanishing.

Cooperative farms – the total number of legal entities in agriculture has not changed since the increase in commercial companies (56) has balanced the fall in cooperative farms (-36) and other organizations (-20). The decrease in cooperative farms was far less abrupt than in 2000. Majority of cooperative farms and inactive companies (74.6 %) are in a tender or bankruptcy.

Agricultural services – apart from increase in number of legal entities, there was an increase in physical persons (63). The most remarkable change was in agricultural and biological services (by 17.9 %) and within these in services for plant and animal production. Agricultural, technical and commercial services increased by 4 %.

All newly established subjects operate in crop- and winter-crop plants, except for one subject, which was a contribution to the number of machinery and tractor depots and repair organizations.

The activities of legal entities in agricultural and biological services include mostly services for plant production (98), fodder production (55) and in services for animal production (28). Owing to lack of machinery and tractor depots and repair organizations (18, from which 8 are legal entities), the primary producers are using services of other neighbouring agricultural plants or they cooperate with farms from several districts.

The structure of business subjects in agriculture, services and in the food industry is in a state of constant flux. Following changes over the 1990's, cooperative enterprises have continued to retain their dominant position in agriculture, although their share in the total acreage of agricultural land has fallen. There continued an increase in the number of commercial companies, in particular limited liability companies in consequence of privatisation of state assets and the decline in agricultural cooperatives. Thus the acreage in their agricultural use also increased. In the food processing industry and in services commercial companies dominate.

Number of legal entities in individual branches of industry (2001)

Legal form	Agriculture	Agricultural services	Food processing industry
State enterprises	4	2	1
Cooperatives	703	18	5
Commercial companies total	756	1027	632
- Public commercial companies	2	20	6
- Limited liability companies	639	839	456
- Joint-stock companies	115	168	170
- Other	45	54	2
Natural persons	5681	309	3210
Total	7189	1410	3850

Source: Economic Agriculture and Food Processing Research Institute Bratislava

Table: Indicators of enterprises on farm land by the legal forms

Legal form	Number of enterprises on f.l.	Farm land (ha)	Average area (ha)	Share in f.l. of SR (%)
State enterprises	1	924	924	0,04
Cooperative farms	695	1 126 238	1 620	46,17

Commercial companies total	707	727 894	1 030	29,84
- Public owned corporations	3	699	233	0,03
- Limited liability companies (Ltd.)	616	553 500	899	22,69
- Joint-stock companies (Inc.)	88	173 695	1 974	7,12
Legal entities total	1 403	1 855 056	1 322	76,05
Physical persons	5 292	191 988	36	7,87
Other f. l.	x	392 364	x	16,08
TOTAL	6 724	2 439 408		100,00

Sources: RI AFE research at MA of MP SR as of 31.12.2001 – legal entities.

Structural Qualification of farms of SR 2001, estimate results – physical persons.

According to the above survey, in 2001, the number of legal entities on farm land has increased by 17 enterprises, i.e. the number of cooperative farms has decreased (4,3) and number of commercial companies has increased (57 Ltd., 3 Inc.).

Farm land of legal entities is smaller by 31 thousand ha because commercial companies took over only 7,9 thousand ha from released land of cooperative farms (-39 thousand ha).

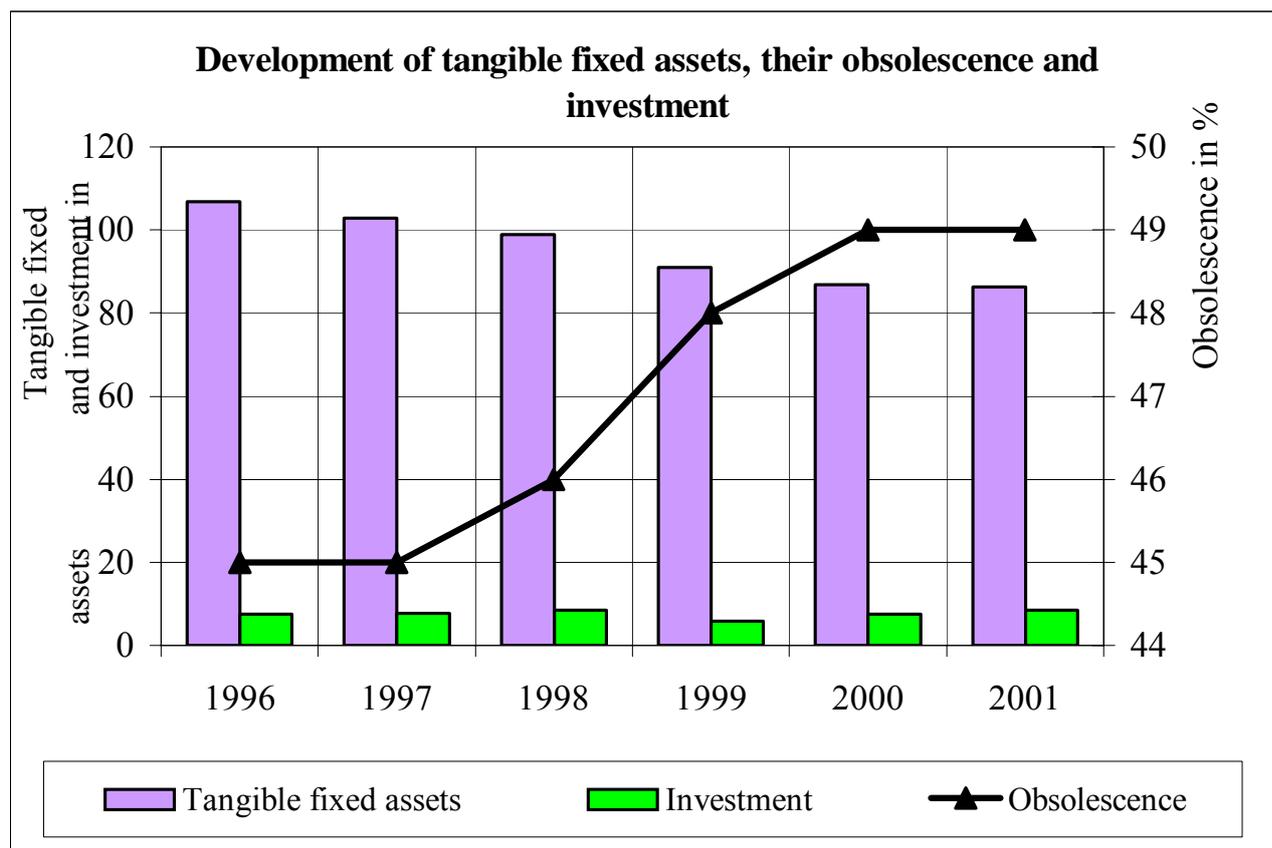
The average size of enterprises has decreased by 39 ha, therein in limited liability companies there was a 90 ha drop and in cooperative farms and joint-stock companies a 41 ha, respectively 12 ha rise.

Main factors of production

Acreeage by region (year 2000)

Region	Agricultural land	Forestry lands	Water areas	Built-up areas	Other areas	Total
Bratislava	96 019	75 490	5 623	14 012	14 108	205 252
Trnava	294 532	65 207	14 436	26 381	14 292	414 848
Trenčín	187 131	220 472	6 293	22 454	13 844	450 194
Nitra	469 864	96 095	15 702	34 372	18 302	634 335
Žilina	248 862	374 248	12 788	24 435	18 514	678 847
Banská Bystrica	419 833	461 904	7 927	32 487	23 377	945 528
Prešov	387 168	440 800	14 179	30 610	26 530	899 287
Košice	338 822	265 872	16 261	33 676	20 658	675 289
SR	2 442 231	2 000 088	93 209	218 427	149 625	4 903 580

Source: Statistics yearbook on the land fund SR, Office of Geodesy, Cartography and Land Registry SR

Capital investment levels

Source: Statistics Office SR

The value of *assets in agriculture and agricultural services* has a permanently declining trend, even when in the period 2000 – 2001 it declined only minimally (by 0.06%). To this contributed increased investment activity of 15.1% in particular in the category of machines, equipment and vehicles. Under the influence of increased investment the growth in the obsolescence of assets in agriculture and its services was halted. The level of obsolescence remains high.

Human Resources

Number of employees

The declining trend in the number of employees in agriculture continued also in 2001, though at a more moderate rate than in the previous year. According to workforce sampling by the Statistics Office 106.4 thousand people worked in agriculture.

The term “people working in agriculture” includes all persons aged 15+ who during the monitored period work at least 1 hour for wage, salary of work in order to achieve profit, including persons working abroad. It can concern the full time or part-time job, the work, which is temporary, seasonal or occasional. The term includes also assisting members of households of entrepreneurs who do not receive any remuneration for their activities, professional members of military units as well as persons in civil services. As working are also considered people who are employed, however currently they temporarily do not work because of sickness, vacations, maternity leave, training bad weather, strike or lock-out with the exception of people who are on long-term unpaid leave and persons on additional maternity leave.

In organisations with 20 or more employees 73 484 natural persons (average registered number) worked in vegetal production, or respectively 72 811 recalculated employees.

Table: Share of the number of employees in enterprises by the legal forms

Legal form	Number of employees in 2000	Share in %	Number of employees in 2001	Share in %
Cooperative farms	55 773	70,4	51 167	69,6
State enterprises	222	0,3	123	0,2
Commercial companies	21 663	27,3	20 815	28,3
Contributory organizations	1 563	2,0	1 378	1,9
Total	79 221	100,0	73 483	100,0

Source: Quarterly statistical statement on work (piece 2-04), Central Database of MP SR, 2000, 2001, organizations with over 20 employees, RI AFE, (Green Report 2002)

Number of people working in particular sectors

- in forestry:	22 000
- in food-processing industry: enterprises with 20 and more people	45 926 (r. 2000)
	45 170 (r. 2001)
- in fish industry: permanent employees	267
Seasonal employees	64
Family members without employment status	29
Persons working by appointment	353

Table: Number of employees

Indicator	Men	Women	Number of hours worked
Permanent employees in PP total	217	50	433 018
Therein managing	41	3	75 889
Employees total	176	47	357 129
⇒ therein administrative	38	21	86 024
- therein with annual working hours fund 30-90%	23	13	49 724
- therein with annual working hours fund up to 30%	2		580
⇒ in operation	138	26	271 105
- therein with annual working hours fund 30-90%	39	7	58 653
- therein with annual working hours fund up to 30%	2		692
Seasonal employees	50	14	13 515
Family members without employment status	23	6	9 800
Persons working by appointment	311	42	30 339

Source: Green report

The number of persons in the agricultural sector continued to diminish due to slow dynamics of the economical growth. Liquidation of the working positions due to transformation and restructuring process was not compensated by creating new working places. The situation is expressively worse in the rural regions as in the urban regions.

Development of labour force in agriculture

	1993	2000	2001	2002
Employment in agriculture	180 762	79 384	73 484	67 629

Source: Green Report, MP SR 2001, VUEPP

The employment in agriculture, including forestry declined in the rural regions with comparison to 1997 by 1/3. The use of seasonal work is increasing.

Employee structure

Changes in the structure of those working from the aspect of education were apparent in particular by a growth in the share of educated workers, university educated, in particular women and workers with higher technical education, in particular women, and on conversely a fall in the number of workers with basic education, which was more significant than the fall in the share of workers with secondary-level education.

Year-on-year changes in the age structure composition of employees show a decline in the number of employees, mainly in the age range 35-49 years, which is manifested most greatly in the reduction of this age group in total employment. Despite this, the most people still worked in the age range, mainly from 45-49 years. The share of the youngest employees and employees in the age range 30-34 years developed favourably.

Comparison of nominal average wage levels

Sector	Average wage 2001 (SKK)	Increase in 2000 (%)	Absolute increase monthly (SKK)	Difference between respective sector and average in national economy (SKK)
Agriculture, Fisheries and Livestock Prod'n	9 842	108,4	766	-3 089
Food production	12 566	110,4	1 185	-365
Industrial production	13 524	110,0	1 233	593
of which: wood processing & wood products	10 076	103,7	362	-2 855
Construction	13 266	110,2	1 229	335
Transport	14 515	109,8	1 299	1 584
Banking and the insurance industry	24 852	110,1	2 287	11 921
Total of the economic activity sector	12 931	109,0	1 067	x

Source: Employees and average wages 2000, 2001 Statistics Office SR

3.2.2 Food Processing Industry

Position of the food processing industry in the national economy

Food processing in the Slovak Republic has passed through a difficult period of its existence, in which were manifested the consequences of the socio-economic transformation processes, international trade and political transitions of the marketing environment, changes and adjustments of ownership relations. All production enterprises have undergone privatisation, meaning that the enterprises are now in the private sector.

The total contribution of the food processing industry to GDP creation was at the outset of transformation approx. 6.2% and at the end of 1997 had declined to 4.0% and at present is 2.35%. It is necessary to note the connections in the persistent capacity under-dimensioning of the sector, low competitiveness, technological backwardness, little adaptability and resistance to changing business conditions, low vertical integration, low level of foreign capital inflow and thereby also limited possibilities for incorporation into business networks.

Development of the food processing industry

The economic management of food processing industry subjects in the period 1990 – 1993 was influenced by price changes, the introduction of value added tax, devaluation of the Slovak koruna, the privatisation process, an inflow of foods from the Czech Republic, or the import of cheap surpluses from abroad.

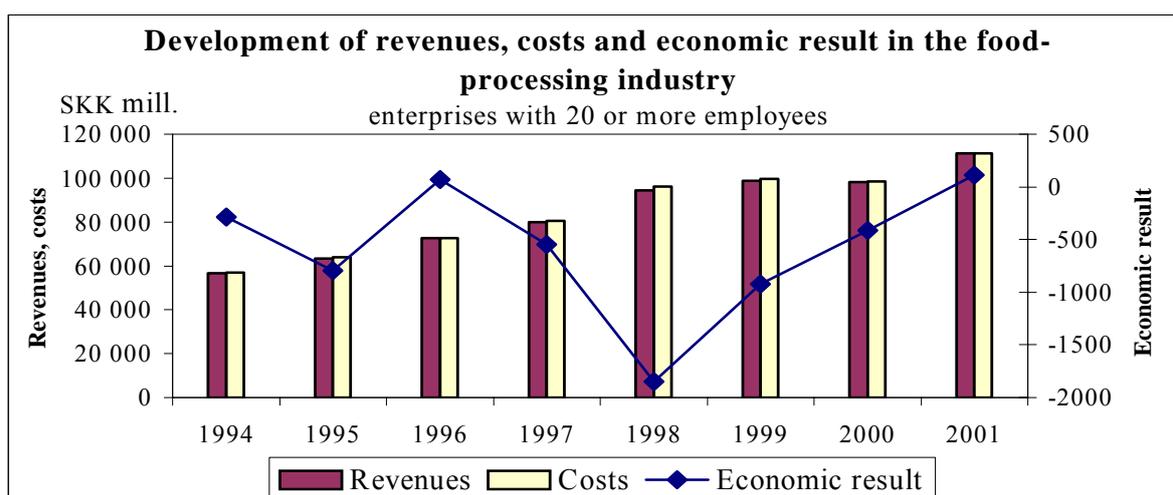
In consequence of the growth in prices in 1991 the food processing industry recorded a profit, though since 1996 has again reported only losses. The financial situation of enterprises was a reflection of the influence of macroeconomic conditions, which was manifested in a stagnating-declining value of

tangible and intangible fixed assets, with their permanently increasing obsolescence as well as a growth in the value of current assets – receivables, supplies as a consequence of price measures, stagnation in demand, and falling consumption of foods. There was also a high increase in outside funds, of which in particular liabilities and bank loans (their high price i.e. interest rates).

This all had a negative impact on the level of financial expenses and the economic result and in the end led to insolvency of the food processing industry. Since 1998, when the worst economic result was reported, the situation has gradually improved.

Entities operating in the food processing industry (excluding the production of feed mixes, coffee and tea packaging and tobacco processing) after a long loss-making period made in 2001 a profit of 113 mill. SKK. The most marked improvement in the economic result was recorded by enterprises in the meat industry (by 429 mill. SKK), brewing-malting (by 107 mill. SKK), confectionary-baking (by 95 mill. SKK). The economic result worsened at enterprises in the sugar industry (by -492 mill. SKK) and poultry-breeding (by -207 mill. SKK). The starch industry was the only one in which all the enterprises were profitable.

The value of assets in the food processing industry in the period 2000-2001 increased by only 2%, despite the fact that 16% more had been invested in comparison to the previous year. Investment was directed primarily into buildings and vehicles. Utilisation of processing capacities in some production sectors of the food processing industry improved. Large differences persist in the utilisation of capacities between groups of products.



Source: Economic Agriculture and Food Processing Research Institute Bratislava

In 2001 reached the food industry surplus in the processing capacities. Its utilization was likewise in previous years in separate commodities differentiated. The highest use of the capacities was reached in the production of yeast (247,8 %).

Next use of the processing capacities was following:

- Interval 90,1-100,0 %: malt, mineral and soda water, products of poultry, vegetable fats and oils, processed oilseeds, sugar beet processing
- Interval 80,1-90,0 %: non-alcoholic beverages (sweetened), products of meat, cheeses natural and other processed, beer, frozen vegetable products, poultry slaughtered, biscuits
- Interval 70,1-80,0 %: milk powder, pasta, non-chocolate confectionery
- Interval 60,1-70,0 %: pigs-slaughtered, chocolate and chocolate confectionery, pastry and cakes from wheat, milled wheat, acidophilic products, canned meat, vinegar
- Interval 50,1-60,0 %: milk for human consumption (packed).

The annual reduction of state budget expenditures for the support of agriculture and the food processing industry is connected with the fact that in comparison to 2000, when state funds were given for eliminating the effect of extremely dry weather, the Department of Agriculture in 2001 received only the usual amount of funds. This was however 2 599 mill. SKK lower than had been forecast for 2001 in the conceptual policy for agriculture and the food processing industry SR to 2005.

Total support for agriculture and the food processing industry (including support from state funds) had the following structure and trend of development:

Support for the development of programmes from the state budget and state funds (in mill. SKK)

	2000	2001	Index 2001/2000
Economic operation on land in disadvantaged areas	3 364	3 254	96,7
Support for obsolescence of capital inputs	2 279	2 830	124,2
Subsidies for operation inputs	348	375	107,8
Support for environmental measures	825	678	82,2
Support for general services	1 492	1 308	87,7
Support for rural development	56	97	173,2
Land improvement measures	617	373	60,4

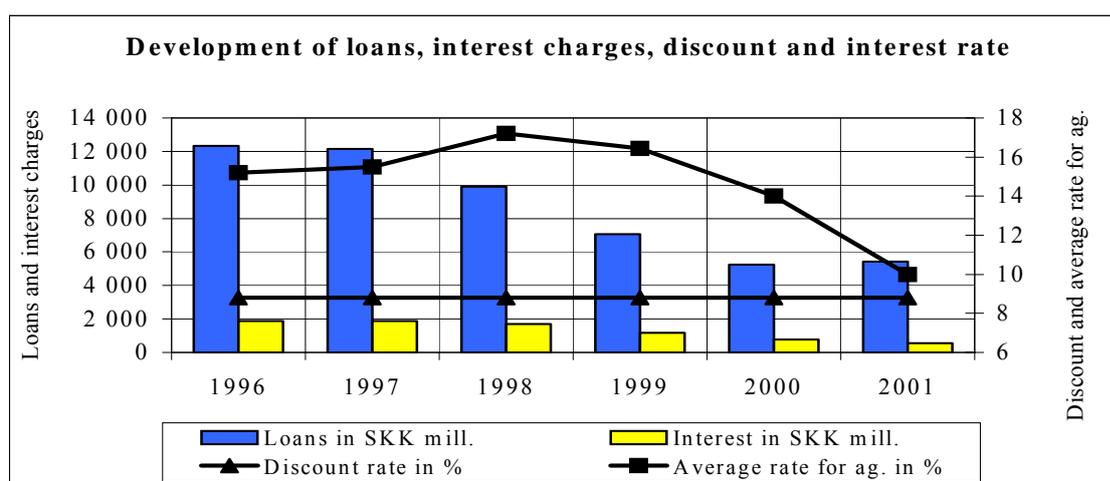
Source: Ministry of Agriculture SR

Measures in the fields of taxes, loans and insurance

Realised measures in the field of *taxes* in agriculture (lower income tax rate, offset of losses, including a proportional part of diesel), remained in effect also for 2001. The annual increase of the tax relief scheme resulted from a growth in the specific consumption of diesel and an increase in taxes diverted from the state budget by agricultural holdings (9.9%) from an improvement in the economic result. Natural persons operating in economic activity were able to apply a special type of income taxation *in the form of a flat-rate tax*.

As of 1 July 2001 Act No 239/2001 Coll. on consumption tax on mineral oils has been in effect with the exception of certain sections, which have been applicable for agricultural entities since 2002. This is a new approach in the law, in which a "tax store" is declared in connection with the taxation of mineral oils.

The drawing of *credit* increased, the level of loaned principal rising by 5.2%. New loans, provided in 2001 (3 bill. SKK) were almost double that in the previous year.



Source: Statistics report Field P3-04, Prod 3-04

A lesson from the consequences of the catastrophic drought in 2000 and the applied system of subsidy support led to an increased interest among business entities in insurance protection, which was reflected in an increased volume of *insurance payments* received by insurance companies.

3.2.4 Fishery

650 – 700 tonnes of salmonoid fish are produced annually in Slovakia (steady production ensuring Slovakia's self sufficiency in this type of fish) and 500 tonnes of freshwater lowland fish types (production from an area of 2000 ha of fish ponds covers approx. 40% of the total consumption of the SR, where the remainder must be imported).

Salmonoid fish farming facilities are useful parameters comparable with those abroad; they do however have a high rate of obsolescence and a low level of mechanisation. Generally, the causes of the low productivity of freshwater lowland fish, as well as per hectare, lie in the small area of fish ponds of SR. Another limiting factor of Slovak fish production is overall poor technical state of fish ponds. This situation is a result of lack of finance and also high costs of projects aimed at re-cultivation, mud removal from fishing grounds, repairs and maintenance of inlet, outlet and dike facilities. The revitalization of fish-farming facilities would increase fish production in Slovak aquaculture and support multifunctional utilisation of water areas that are favourably affecting the landscape and environment. A further development of fishpond cultivation may also involve its wider interconnection with agro-tourism activities, for example the construction of fishponds next to agri-tourism facilities.

Since 1998, the Ministry of Agriculture of SR has been issuing the fish breeders with certificates for fish farming, which relates to breeding of generational fish and their reproduction, production of spawn material and market production. According to the applicable legislation of SR, it is only allowed to use spawn material coming from approved fish breeders which ensures preservation of purity gene-pool in the farmed fish. This measure maintains at the same time long-term infection free state in intensive fish farming.

Currently, there are 52 natural persons and legal entities registered in Slovakia involved in fish farming, from which only 41 are entitled to sell their production on the market on the ground of possession of the certificate for fish farming. The entities concerned are small fish breeders, of which 26 use fish pond for fish farming, 12 use special facilities and 14 use both fish ponds and special facilities.

According to the materials of Statistical Office of SR, 713 persons were employed in fish farming in Slovakia in 2002. Out of the total, 267 persons worked full - time and 353 worked on the contract. The rest of the labour force was created by seasonal employees and family members of the owners without employment status.

There are 5 processing companies in Slovakia, focused on processing of freshwater types of fish with annual production capacity approx. 855 tonnes but their average annual volume of processed fish is at 500 tonnes. Only one of these companies complies with the norms of EU and it exclusively processes the fresh water fish. In the case of not fulfilling the requirement of compliance with the EU norms, some of them will be forced to terminate their activity after the SR has accessed into the EU. For this reason it is essential to carry out prompt modernisation and reconstruction of existing processing companies in compliance with hygienic – sanitary conditions applied in the EU for their remaining in the free European market. The existing processing capacities are sufficient to process domestic fresh water fish production. In the near future, interest can be expected from some smaller or new fish farmers to build their own processing capacities mainly oriented at regional market.

Imported sea fish are being processed in 16 companies with annual capacity approx. 22 000 tonnes but their average annual volume of processed sea fish is at 15 000 tonnes. Neither of the sea fish processing companies complies with the EU norms.

3.2.5 Forestry

The Concept of the forestry policy of the Slovak Republic until 2005 was elaborated (in the year 2000) in accordance with commitments from 4-th Ministerial Conference on Protection of forests in Europe. This concept consists of four basic pillars. They are aimed to settlement of ownership issues, association of non-state forest owners, afforestation of land unsuitable for agricultural production, monitoring of forest health, cost reduction and increase of earnings, efficient utilization of full wood

potential in conditions of Slovakia, harmonization of forestry legislation, institutional arrangement, international cooperation, etc. The Forest National Plan will be also elaborated during the next year (2004).

Forest Management Planning in Slovakia is based on sustainable forest management principles (criteria) and all forest activities are performed in accordance with Forest Act.

Forest land fund

The forest land fund (FLF) comprises forest lands permanently intended for fulfilling the functions of forests. According to summary information of the Forest Information Centre Lesoprojekt Zvolen the area of the FLF as at 31.12.2001 was in total 2 006 438 ha, of which forest stands land (FSL) – the area of FLF) of timber stands is 1 927 388 ha.

Data on the development and current areas of FLF and FSL are given in the following table:

Type	Development of the area of the forest land fund and forest stands land, year/ha						
	1970	1980	1990	1993	1996	1997	2001
FLF	1 918 571	1 952 656	1 976 538	1 989 982	1 987 909	1 990 603	2 006 438
FSL	1 826 564	1 861 642	1 921 705	1 928 318	1 923 719	1 919 911	1 928 388

Source: Lesoprojekt Zvolen

Basic macroeconomic indicators

The share of gross domestic product (GDP) created by forestry in the total GDP of the SR is continually declining and moves below the level of 1% (1990 – 0.97%, 2001 0.54%). The created value of uses of publicly beneficial functions of forests is however valued at 2-3 times higher than the production utilities, but as yet are not the subject of a market and therefore are not included in GDP creation. A wood-processing industry is established on the basis of the forestry industry, the GDP share of which is approximately 8%. Investments in forestry since 1990 have fluctuated from 0.36 – 0.19% of total investment in the SR. The rate of investment has fallen from 20.48% in 1990 to 11.63% in 2001.

Development of selected indicators of the forestry industry in relation to the SR economy:

Indicator	Unit of measure (Mill. units)	Year					
		1990		1999		2001	
		Mill. Units	%	Mill. Units	%	Mill. Units	%
Gross Domestic Product at current prices	Billion SKK	278,5	100,0	815,3	100,0	964,6	100
of which: forestry		2,7	0,97	5,1	0,88	5,1	0,69
Investment	Mill. SKK	69 741	100,00	277 000	100,0	330 300	100
of which: forestry		553	0,36	523	0,21	6600	0,19
Employees	Number	2 459 000	100,00	1 988 000	100,0	2 124 000	100,00
of which: forestry		36 316	1,47	23 754	1,30	22 000	1,21
Average monthly wage	SKK	3 278	100,00	10 728	100,0	12 365	100,00
of which: forestry		3 419	105,91	9 629	86,53	10 684	87,29

Source: Lesoprojekt Zvolen, Statistical Office SR

Relationship of forestry to the state budget

In 1990 – 2001 subsidies to forestry came from various sources: from the State Fund for Forest Development SR. In comparison to 1990 the volume of subsidies in 2001 fell in absolute terms to 49.6%. In 1990 subsidies covered 23.28% of production costs in forestry in the SR, in 2001 only 5.7%. In comparison with surrounding countries (Germany, Austria, and Czech Republic) forests of the SR receive on average the lowest level of subsidies.

The share of the state in the financial result of forestry of the state and non-state sector in the form of direct support is presented in the following table:

Indicator	Year/mill. SKK			
	1990	1993	1997	2001
Earnings and revenues excl. subsidies	3524	5 332	8 904	9 460
Costs	4 326	5 732	9 141	9 623
Loss without the effect of subsidies (-)	802	400	237	163
Subsidies for forestry activity	1 007	491	382	396
Difference (profit) (+)	205	91	145	176

Source: Lesoprojekt Zvolen

Ownership and use of forests

A significant component of the post-1989 reforms was the transformation of ownership relations to forests, comprising their return to the original owners. As at 31.12.1998 forest lands totalling 812.5 thousand ha (40.8% of the FLF) had been surrendered to entitled persons. It has not always been possible to match the owner of a forest land with its user (forester), where the user must abide by duties ensuing from the respective legal regulations. If an owner leases out a forest, or deposits it as equity in an enterprise, its management with the related obligations are taken over by the user. Forest lands whose ownership is not completely identified or documented and where the entitled persons have as yet not expressed an interest in taking them over represent 137,000 ha (6.9% of the FLF SR). As at 31.12.2001 42.4% of the forest land fund of the SR was in state ownership.

The user of a forest is obliged to abide by provisions of the respective legal regulations. As at 31.12.2001 39.2% of the FLF was in the use of the non-state sector, where this share is expected to continue to grow over the coming years.

As at 31.12.2001 the structure of ownership and use of forest land (forest lands with forest stands, including unstocked areas intended for forestation) was as follows:

Category	Type of ownership (use)							Total
	State	Private	Communal	Church	Agricultural cooperative	Municipal	Unknown	
Ownership	816 343	282 659	469 571	61 703	2 271	187 495	107 346	1 927 388
	42.4	14.7	24.4	3.2	0.1	9.7	5.6	100
Use	1 171 575	138 635	399 387	45 834	4 644	167 313	-	1 927 388
	60.8	7.2	20.7	2.4	0.2	8.7	-	100

Source: Report on forest management of the SR 2001

Workers

Approximately 22 thousand employees work permanently in forestry, and their number is gradually declining (1990 – 36 thousand, 1997 – 27 thousand, 1998 – 24 thousand.). Apart from these during seasonal works, especially at the time of spring forestation, more than 10 thousand seasonal workers are employed in forestry. Besides this more than 4000 entrepreneurs are registered in the forestry industry.

Source: Report on forest management of the SR 2001

3.2.6 Socio-demographic Situation in Rural Areas

Slovakia has 5 379 million inhabitants. Average population density is 109.9 inhabitants/km².

Besides towns the population is concentrated in lowlands and valleys, mountain areas are sparsely settled, which is caused by the fact that the extensive settlement and use of the country has essentially affected the original structure of the country and composition of ecosystems.

Rural settlements are considered to be those generally those not having the statute of a town and having a certain character and type of occupancy, economic structure, based on agriculture and forestry, a less developed infrastructure and low population density. In terms of statistics these settlements have up to 5 000 inhabitants.

The Statistics Office of the SR registers 2 883 settlements, of which 2 745 (95.2%) are prevalingly rural settlements and 138 urban settlements. The majority of Slovak settlements are villages, of which 1979 have up to 1 000 inhabitants and of these 1 210 villages have fewer than 500 inhabitants.

General characteristics for 2001

Region	Area in km ²	Population as of 31.12.	Population density per km ²	Number of municipalities		Level of urbanisation
				Total	of which towns	
Bratislava	2 053	599 042	291,8	72	7	83,9
Trnava	4 148	550 918	132,8	249	16	50,3
Trenčiansky	4 502	604 917	134,4	276	18	57,8
Nitra	6 343	712 312	112,3	350	15	48,1
Žilina	6 788	692 434	102,0	315	18	51,2
Banská Bystrica	9 455	661 343	69,9	516	24	54,3
Prešov	8 993	791 335	88,0	666	23	50,3
Košice	6 753	766 650	113,5	439	17	56,7
SR total	49 035	5 378 951	109,7	2 883	138	55,9

Source: Statistical Office SR

The development of settlement in the SR over the past years has occurred at a more moderate rate and has been marked by a decline in the natural growth of the population, restructuring of the national economy and thereby also by the development of employment, a significant limitation of apartment construction, as well as an insufficient ability of towns and municipalities to resolve these problems.

The conceptual policy of the further rural development in the SR is based primarily on geomorphologic conditions and socio-economic development, while respecting equable and balanced development. The focus will clearly be on regional towns, as well as the lines of development axes along the main communication axes. Rural settlement must however also retain its identity.

Rurality of the country

Predominance of settlements up to 5 000 inhabitants is typical for the settlement structure of SR, which is traditionally recognized boundary for a village in our country. They are occupied by 43,7 % of the population. Town statute has 138 villages mostly above this boundary. Among the rural villages, small villages in the group of 201 – 500 inhabitants are the most common and among middle-sized villages with up to 2000 inhabitants it is category 501 -1000.

Majority of towns has a rural character. They are small and not capable of becoming regional leaders. The fact is, apart from Bratislava and Kosice there is no other town meeting the elementary quantitative conditions for successful leading of a region. According to experts, Slovakia would need two towns over 300 000 inhabitants and another three with about 200 000 inhabitants to successfully manage the regional development.

Classification of rurality according to OECD methodology and EUROSTAT

Member states of OECD established residential density as a criterion of classification of rurality at a local level. Originally, the boundary was set at 150 inhabitants in 1 km². To enable international comparison, the OECD methodology has been united with the EU methodology in 1999 and a criterion of 100 inhabitants in 1 km² has been set. The OECD methodology of classifying rural areas used in EU (EUROSTAT) issues from two hierarchic levels of territorial entities: local level and regional level. At local level - NUTS V (Nomenclature des unites territoriales statistiques), rural area is defined for rural villages with less than 100 inhabitants in 1 km². At regional level - NUTS III a NUTS IV, a rural region is an administrative unit, structured according to the level of rurality by a rate of number of people living in the rural villages and total number of inhabitants in the region.

The level of rurality is, according to OECD methodology, given by the share of the population living in rural settlements. Regions (districts) with a share of the population living in rural municipalities greater than 50% are described as districts having a significantly rural character. These districts are “**previncially rural**”. Districts where 15% to 50% of the population lives in rural municipalities are defined as districts with a rather rural character. These districts are “**transitional**”. Districts where less than 15% of the population lives in rural areas are described as “**previncially urbanised**”. On the basis of this description 48% of the population in Slovakia lives in “previncially rural” districts, 40% of the population in “transitional” and 12% of the population in “previncially urbanised districts”. Previncially rural areas form 59.5% of the land area of the Slovak Republic. In these areas are located 62.8% of agricultural land and 55.9% of forests.

In the European member countries of the OECD on average 28% of the population live in previncially rural regions, in transitional regions 32% of the population and 40% of the population in previncially urban regions. Slovakia has a settlement structure comparable to that of, for example, Norway, or from among non-European countries, Turkey.

According to this methodology, rural areas NUTS V as of 31 December 1999 include 2 241 villages in Slovakia, i.e. 77,7 % of total number of villages and 76,7 % of the state territory area. Of the total number of inhabitants of SR, 1 609 738 of them are living in rural villages, that makes 19,8 %. (it is 22,3 % in Czech Republic)

Rural areas of SR at regional level – NUS IV – include 68 districts – from which 11 are significantly rural and 57 previncially rural. In 1999, 85,4 % of the Slovak population lived in them (10,1 % in significantly rural districts and 75,3 % in previncially rural districts). The area of rural territory at district level forms 97,7 % of the area of state (significantly rural 18,4 %, previncially rural 79,3 %).

(Source: Balance of population fluctuation by the villages of SR in 1999, SO SR 2000 and own calculations)

Comparison of share of the population in types of rural regions NUTS-IV in %:

<u>Regions</u>	<u>SR</u>	<u>CR</u>	<u>EU</u>
Significantly rural	10,1	6,0	9,7
Previncially rural	75,3	60,2	29,8
Previncially urban	14,6	33,8	60,5

At regional level NUTS III (also NUTS II), rural area includes except for Bratislava region all of the administrative units, i.e. 95,8 % of state area. Villages in classified rural space in such a manner represent 97,5 % of all villages of SR and in 1999, there have been 4 781 675 inhabitants, that is 88,6 % of the total population of SR. The share of inhabitants living in rural villages at this regional level ranges from 24,6 - 43,4%. None of the region is significantly rural.

On the basis of a generalisation of international definitions and an analysis of demographic indicators the 79 districts in Slovakia may be categorised as follows:

previncially urbanised areas 9 districts. These are in the towns Bratislava (5 districts) and Košice (4 districts). Besides regional towns, the majority of small and medium-sized towns (5 – 50 thousand inhabitants) are located in rural areas,

previncially rural districts 39 districts (*Malacky, Senec, Dunajská Streda, Galanta, Senica, Nové Mesto n/Váhom, Púchov, Levice, Nové Zámky, Šaľa, Topoľčany, Zlaté Moravce, Bytča, Čadca, Dolný Kubín, Námestovo, Ružomberok, Turčianske Teplice, Tvrdošín, Brezno, Krupina, Poltár, Rimavská Sobota, Veľký Krtíš, Bardejov, Kežmarok, Medzilaborce, Sabinov, Snina, Stará Lubovňa, Stropkov, Svidník, Vranov n/Topľou, Gelnica, Košice-surroundings, Michalovce, Rožňava, Sobrance, Trebišov*),

transitional areas 31 districts (*Pezinok, Hlohovec, Piešťany, Skalica, Trnava, Bánovce n/Bebravou, Ilava, Myjava, Partizánske, Považská Bystrica, Prievidza, Trenčín, Komárno, Nitra, Kysucké Nové*

Mesto, Liptovský Mikuláš, Martin, Žilina, Banská Bystrica, Banská Štiavnica, Detva, Lučenec, Revúca, Zvolen, Žarnovica, Žiar n/Hronom, Humenné, Levoča, Poprad, Prešov, Spišská Nová Ves).

A gradual slowdown in demographic development has been occurring in Slovakia over the past years and in the coming period this development will apparently stagnate. Up to 15 districts out of the total number of 70 districts having a prevalingly rural character (concentrated in the region of central to south-west Slovakia) exhibit a regressive trend.

Level of wages

The average monthly wages are a combination of several factors. It is influenced mainly by the structure of businesses and by their economic strength.

The level of wages and employment are determining the life-standard of the population – productive population forms 55 to 64 % of the population in some regions.

In the past five years the level of average monthly wages has increased in all of the enterprises and organizations of national economy of SR from 9 339 SKK to 12 764 SKK. The biggest growth, by 49 %, was recorded in Bratislava, whereas in rural regions it was only by 33 %. Compared to the average of SR, the wage in 70 rural districts is 1.700 SKK lower and compared with the urban areas by 5.000 SKK lower.

Jointly in 17 rural districts, the average monthly wages did not reach 10.000 SKK in 2001.

In agriculture, the average monthly wages in organizations with 20 and more employees was 10.193 SKK in 2001. Compared with the average monthly wages in the entire economy, the wages in agriculture represents only 80 %.

According to the SO SR the average nominal monthly wages of an employee in the SR in 2002 reached 13 511 SKK. The average nominal monthly wages in organizations with 20 and more employees in SR was 14 214 SKK, and in agriculture 10 478 SKK. Wages parity to the average earnings for the economic industries altogether in 2002 was 73,72 %.

The average nominal monthly wages (all industries) in predominantly urban areas (9 districts) reached 18 239 SKK, in transition areas (31 districts) 12 667 SKK and in predominantly rural areas (39 districts) 11 693 SKK.

Low average wages in agriculture are a result of low profitability of the sector. They are also affected by irregularity of necessity for work during the year and low technical level of production.

*Average monthly wages of an agricultural employee in SR in 2002
(Organisations with 20 and more employees)*

Region	Wages in SKK
Bratislava region	12 509
Trnava region	11 474
Trencin region	10 977
Nitra region	10 626
Zilina region	10 022
Banska Bystrica region	9 790
Presov region	9 359
Kosice region	9 431

Table: Contribution of agriculture* on GDP creation and employment in countries of CEFTA and EU

Country	Share in %			
	GDP		Total employment	
	1999	2000	1999	2000
Czech Republic	3,9	3,9	5,1	4,8
Hungary	4,8	4,2	7,1	6,5
Poland	3,9	3,3	26,9	28,1
Romania	15,1	12,6	41,2	57,3
Slovenia	3,6	3,2	10,8	9,5
Slovakia	4,9	4,9	7,2	6,5
EU			4,5	-

Source: Slovak, Czech, Hungarian, Latvian, Polish, Romanian and Slovenian Agriculture in Comparison with EU Countries, VUEPP Bratislava 2001, Eurostat

Nota bene: *including forestry and water service. Elaborated: VUEPP

Infrastructure

Infrastructure development is an impetus for further economic and social regional development. Inadequate quality level of technical infrastructure is limiting for overall economic development of rural areas.

Table: Indicators of technical infrastructure in 2000

Territory	Proportion of population connected to:		Roading in m/km ²	Number of inhabitants per 1 house telephone	Share of villages with gas distribution system
	Water piping	Public sewerage			
SR total	82,9	54,7	489,6	4,3	69,2
Urban regions	99,8	95,88	1 244,67	2,8	100,0
Rural regions	80,4	48,70	480,1	4,7	69,2

Source: VUEPP and SO SR

The most important problem is connecting small villages to public water and sewage systems. At present there are 80,4 % of the rural population supplied with water from public water piping.

The situation is worse in sewerage systems. The share of population connected to public sewerage system in rural areas is only 48,7 %.

Of total of 69,2 % villages in Slovakia has gas distribution system. Gas-heating in the rural settlement is not a matter of course owing to high demands for investment in gas distribution system. That is the reason villages in lowlands have the gas distribution system more often than those in the mountains.

Unemployment

Economic ability of the region is related to its proportion in creating of GDP and number of unemployed. Judging by GDP, Trnava and Banska Bystrica regions have the highest economic production-rate, except for Bratislava region, which has a special position within the SR.

The other most commonly used indicator of EU is the unemployment rate. Slovakia is well ahead of the EU average (8,7 %). On average, the unemployment rate in rural regions has exceeded 20 %. Mostly eastern and southern Slovakia districts are concerned.

Table: Unemployment rate

Territory	Unemployment rate for available number of registered unemployed (%)				
	1997	1998	1999	2000	2001
SR total	12,5	15,6	19,2	17,9	18,6
Urban regions	5,4	6,8	9,2	8,8	8,2
Rural regions	13,3	17,0	20,8	19,6	20,3

Source: VUEPP and SO SR

For the period of 1998 to 2000 the unemployment in agriculture had a rising tendency and in 2001 it fell to 11 %. Unemployment in young people from 20 – 24 years of age is particularly high. Skilled persons and those with basic education form the largest group in the unemployed. It amounts to 29 % in rural areas what is higher than in the urban areas.

In urban areas persons with higher education (secondary and university) form a larger group among the unemployed than in the rural areas. They are most numerous in rural districts of middle Slovakia (Banska Bystrica, Zvolen) and western Slovakia (Nitra and Trencin).

The main cause of overall unemployment is recession in economic dynamics and decrease in effective productivity of Slovak economy. The unemployment is affected by seasonal character of some sectors, especially agriculture, forestry, construction and travel industry services.

The reasons for high unemployment, mainly in eastern and southern Slovakia districts, are:

- High number of gypsy population;
- Low educational level;
- Badly developed infrastructure;
- Sharp deficit in industrial production;
- Decreasing contribution of agricultural production.

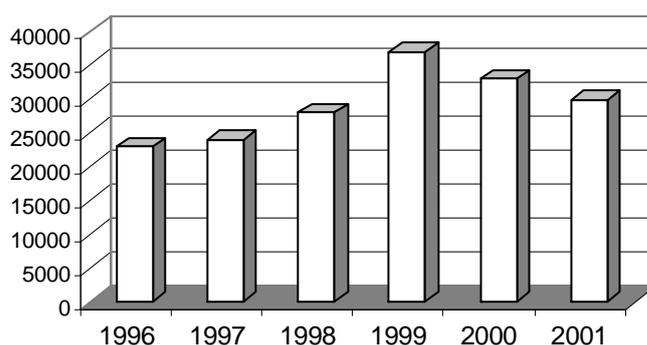
Table: Agricultural unemployment in 1997 – 2002

Indicator	UM	1997	1998	1999	2000	2001	2002
Agriculture, hunting and related services	Number of people	24 401	29 373	38 207	33 921	31 281	38 444
Share in total of sector registered unemployed	%	7,0	6,9	7,1	6,7	5,6	7,6

Note: Agricultural unemployment is number of unemployed whose last job was in agriculture

The reasons for unemployment in agriculture stem from long-term production recession, linked to its restructuring, incongruity between work force sources and demand, regional differences, low adaptability of farmers to the labour market requirements which is the result of former farmers' low mobility and their educational and age level.

Graph: Number of unemployed whose last job was in agriculture



Source: VUEPP

Investments

The private business development depends above all on privatisation process. In the past five years, an increase in agricultural organizations in private sector by 18,5 % can be noted. Concentration of businesses in regions of SR is indicating the prosperity of the region. There were a total of 246 350 physical persons (sole traders, free enterprise, privately operating farmers) running businesses in 2001 in rural areas.

Transformed agricultural cooperative farms, privately operating farmers and small businesses play a crucial role in the business sector of rural areas. Business development is subject to its allocation in relation to the main traffic through-flows and proximity to towns.

Table: Share of agriculture in main indicators of national economy

Indicator	Share in GDP in %		
	1999	2000	2001
GDP total	100,00	100,00	100,00
there from: - agriculture	4,88	4,93	4,89
▪ Agriculture	4,29	4,34	4,34
- Industry together	28,23	28,16	27,36
▪ Food processing industry	3,19	2,92	2,35
- Construction	3,78	3,14	3,08
- Services (market and non-market)	53,47	54,54	55,77
Share of agricultural subsidies in GDP	1,08	0,92	0,93
Share of agriculture in:			
- Interconsumption ⁵	3,60	3,26	3,40
- Obtained investments	2,47	2,63	4,23 ^g
- Added value ⁵ in b. c.	3,71	4,00	4,21
- Employment ¹	4,30	5,50	5,24
- Average wages ²	76,70	76,50	76,11
- Balance of foreign trade ³	33,28	39,73	19,64
▪ Import	6,96	5,94	5,99
▪ Export	4,12	3,32	3,68

Source: a) Statistical report on main development tendencies in Slovak economy in 2001

b) Indicators of economical development, SO SR, 2001,

c) Selected economic indicators and employees of agriculture in SR, SO SR,

d) Employees and average monthly wages, SO SR

e) Calculations of VUEPP

f) Macroeconomic indicators of quarterly NÚ and added value, SO SR

g) Estimate of SO SR

Note: to assess share of agriculture in GDP, interconsumption and added value of national economy, data of national accounts at constant rates were used

¹⁾share in agriculture employment from data b), a)

²⁾share in average wages of economic sectors from data b), c)

³⁾agricultural and food trade in gross foreign trade from data a) and customs statistics

⁴⁾agricultural subsidies including subsidies to eliminate drought effects

⁵⁾share in added value and agricultural interconsumption from data a), f)

Elaborated: VUEPP

3.2.7 Land Consolidation

Through the Act No. 330/91 Coll. as amended the conditions for the execution of re-parcelling were laid down as a single integrated organisational instrument for arranging land ownership.

Following the adoption of the act on re-parcelling in 1992 land adjustments were begun in 82 of the land register territories in Slovakia. The total financial resources set aside for re-parcelling in the years 1992 – 1999 from the state budget of the SR represent SKK 1 016 mill. There exists an overall need for resolving ownership relations and performing re-parcelling exists in all 3 519 land register territories. In the year of 2000 SKK 250 mill. was allocated for these projects. The amount necessary for realising re-parcelling projects in all the land register territories is 12.5 billion SKK. During the processing of introductory basic documents the extent of the discrepancies ascertained in the register of land ownership was such that it was necessary abort the majority of re-parcelling projects begun due to the need for settling ownership relations and to remove barriers to their performance brought about through historical development prior to the effect of the act on land adjustments.

For these reasons works on a part of the re-parcelling projects was halted at the stage of introductory basic documents (register of the original state – ROS). Land consolidation projects have been

continued in only 20 land register territories. These projects are at present already complete or in the stage of their completion. 11 re-parcelling projects are registered, or entered in the real estate register.

Over the course of the coming years re-parcelling should be performed in practically the whole territory of Slovakia. This is a long-term process and is financially expensive. This year the restoration of the land ownership register is being completed as the basic requirement for re-parcelling.

These projects and their realisation should arrange lands and perform terrain, communication, water management, anti-erosion, ecological and other measures connected with this. With regard to the fact that one of the most important basic documents of land adjustments is the Territorial Systems of Ecological Stability (TSES), the future spatial arrangement should take account of requirements for protection of the environment and landscape. TSES is the provision of such a spatial structure of mutually interconnected ecosystems, their components and elements, which ensure the variety of conditions and forms of life in the natural country, where they represent the main bio centres (concentration on the highest values), bio corridors (lines linking such centres) and various interactive elements. The realisation of land adjustments on 2 442 231 ha of agricultural land also requires that of this land area 2 – 8% will be set aside to other areas ensuring ecological, transport and other elements of the territory. If we take an average value of 5% this represents more than 120 000 ha. From this it results that also re-parcelling will contribute to an intensification of agriculture.

The necessity to arrange land ownership through the form of re-parcelling results from the high fragmentation of land ownership. Fragmentation of lands owned is multiplied by the existence of numerous jointly owned shares in land.

In the field of restitutions it is important to state that since 1991 the land of acreage 202 916 ha has been given back to former owners as well as a compensation corresponding to 28 908 ha has been carried out for such a land where this compensation was not possible to be done due to legal obstacles. Plus there were land community restitutions carried out where the ownership of acreage 114 939 ha was given back and also a compensation corresponding to 15 675 ha was carried out for a land which was not possible to give back to a former owner. As regards “unidentified land” (i.e. land the ownership of which is not clear) its acreage is according to the information from media 300 000 – 400 000 ha what is a data presenting a rough estimation and it is not possible in current state of land register to express it more accurately. It is important to point out that unknown ownership mainly relates to the land where the inheritance procedure has not been finished yet after the former owner. As a result of experience from land consolidation it can be said that this situation changes during the process of inheritance procedure duration (8-10 years) and lands with unidentified ownership are decreasing.

3.2.8 Diversification of Activities

Restructuring of the Slovak economy following 1989 necessarily brought a reduction of the number of employees, which was reflected in the most greatly in agriculture industry. In 1989 the number of employees registered in agriculture totalled 350 965, though by 2001 only 106.4 thousand employees worked in agriculture. This is a 74.04 % reduction in the number of employees since the outset of transformation. In forestry the number of employees has since 1989 fallen by 14 000 employees (state in 2001 – 22 000 employees, a reduction since the outset of transformation of 38.9%). The unemployment rate as at 31.12.2001 is 18.6% of the population in the productive age group.

The unfavourable situation in the field of employment in rural areas was dealt with by the Ministry of Agriculture of the SR in the “Conceptual Agrarian and Food-Processing Policy of the SR to 2005”, where in the framework of Pillar III it adopted programme no. 1 (Modernisation and Diversification in Agriculture). In the framework of this programme there is also included support for investment activities for development of agri-tourism, the countryside and diversification of economic activities.

In the framework of a subsidy policy the Ministry of Agriculture SR supports diversification through the Ministry of Agriculture SR ordinance no. 3485/2/2001-100 on support of businesses in agriculture - § 28 "Development of Agri-tourism, the Countryside and Diversification of Economic Activities“.

Support for diversification of activities in agriculture since 1993 has been as follows:

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Support in mill. SKK	11,9	11,6	17,2	21,9	35,6	39,9	39,5	36,1	72,9	40,7
New jobs	20	19	29	37	59	67	67	60	122	167

Source: Ministry of Agriculture SR

The requirements of agricultural business entities for the provision of subsidies annually exceeds several times over the financial resources assigned for this field in the framework of the budgetary chapter of the Ministry of Agriculture SR.

Diversification is also supported through the SAPARD programme (measure no. 4a – Diversification activities in rural areas of the Plan of Agricultural and Rural Development of the SR). For the year 2002 - 2006 support for co-financing of these projects has been approved in the amount of MEUR 2.293 per year from the European Commission resources.

Diversification has also been supported in the framework of two PHARE programmes that have been executed through the established Rural Development Fund. Co-financing of PHARE projects from the side of the European Commission was in the amount of EUR 500 000 and EUR 500 000 and 13 diversification projects of the business entities were supported.

3.2.9 Training in Agriculture

The Ministry of Agriculture is a sponsor of a **secondary vocational school system** in the field of agriculture.

At present the Ministry of Agriculture SR is the sponsor of 38 secondary schools in the field of agriculture and food-processing, and which had not been previously in the founder competence of the ministry, 50 branch secondary vocational training centres, 6 associated secondary schools and 1 practical training centre. According to their orientation these comprise 3 secondary industrial food-processing schools, 1 secondary viticulture-fruit school, 26 secondary agricultural schools, 3 secondary gardening schools and 5 associated secondary schools, 50 secondary vocational training centres with an agricultural and food-processing orientation and 1 practical training centre. At the abovementioned secondary schools there were in the school year 2001/2002 23 569 pupils, of which 7 418 in secondary vocational schools, 1 891 in associated secondary schools and 14 260 pupils in the secondary vocational training centres.

High school graduate experts for agriculture are educated in particular by the Slovak Agricultural University in Nitra (SAU), and this in four forms of studies (bachelor, doctorate, adult education).

In 2001 the number of graduates in the daily and external form grew by 3.9% against the previous year, reaching 2 104 persons. In comparison with the previous year, in 2001 the number of science graduates rose by 12.2%, where in 13 study fields (general agriculture, phytotechnics, zootechnics, agricultural products processing equipment, applied biology, scientific human nutrition, agricultural techniques, agriculture economy, management in agriculture, international trade, gardening, landscaping, garden and landscape architecture) there were 1 465 graduates. The number of doctoral graduates increased by 29% and concurrently a change in fields of study occurred. There have been added the field of landscape engineering and special vegetal production and physiology of commodities and timber species have ended. An increased number of students graduated from adult education, 8.1% more than in the previous year. In the year in question, the study of nutrition and health was added to the fields of gardening, agri-tourism, economy and management. Other education took place in the study of seed growing of agricultural commodities, consultancy in the plant-seed growing, biodiversity protection and agro-environmental programmes in rural development. Nevertheless the number of graduates in this form of education fell by 34.1% against the previous year.

Besides the SAU in Nitra, professionals for agricultural and food-processing needs were prepared at the Technical University in Zvolen (Environmental Studies Faculty in Banská Štiavnica), University

of Veterinary Medicine in Košice, Slovak Technical University (Chemical-Technological Faculty), University of Economics in Bratislava and other universities.

The scope of the Ministry of Agriculture SR activity is also the support of human resources development in the form of **life-long education**, consultancy and mediating information on the latest world trends and technologies in agriculture and food-processing. The path to achieving of this objective lies in deepening existing cooperation and developing other contacts and partnerships with European and world institutions with the aim of preparing modern educational programmes and activities, in particular in the interest of creating an European model of multifunctional agriculture. In this direction, the education facilities of the department – Agroinstitute in Nitra – play an essential role. The orientation of the Agroinstitute is based on the Conceptual Agrarian and Food Processing Policy of the SR to 2005. The strategic objective of the conceptual policy is to improve the competitiveness of agricultural and food-processing establishments through the targeted use of consultancy and life-long vocational training so that the vocational training provided corresponds to needs of agricultural and food-processing practice. Last year Agroinstitute performed 62 educational activities (a fall of 27.1%). 3 112 participants (students, public and state administration, agricultural establishments, SHR, inter-departmental organisations) studied in the form of distance learning, seminars, courses, specialised studies and training sessions. In the interest of furthering the expertise of consultants incorporated into the network of consultancy services the Agroinstitute organised a cycle of consultant education and various lectures with a vocational topic for 776 participants. International activities of Agroinstitute in 2001 were aimed at the preparation and execution of projects of foreign bilateral and multilateral educational programmes, cooperation and aid programmes: Impact, Leonardo da Vinci, Cocop, Mashav, Tempus – PHARE, Socrates/Grundtvig, etc.

The national budget for training in agriculture involving rural development accounts for approx. 1.5 MEUR in 2003. The Institute for education and training of employees engaged in forestry and water management situated in Zvolen and the Institute of education of veterinarians in Košice belong among other important sectoral training institutions of the MoA SR. These three training institutions have a competence throughout Slovakia and by means of specific content of further professional training they fully satisfy training requests of the sector.

In further education in the field of agriculture and rural development contributions were also made by the Slovak Agricultural and Food Chamber, Rural Development Agency, high schools, etc.

3.2.10 Environment and Agriculture

3.2.10.1 TRENDS ON ENVIRONMENT

Slovakia has made a good legislative progress through the adoption of important national laws, in particular in the areas of air, water and nature protection, and has strengthened its administrative capacity to implement and enforce the environmental *acquis*.

From separate sectors of the national economy, the industry influences the quality of the environment the most. Agriculture belongs to its major contaminator. It covers the share of agriculture on emissions of the greenhouse gases, level of deteriorating the soil by harmful materials, releasing wastewater.

As regards air quality, some progress can be reported. The Air Protection Act, which transposes the Air Framework Directive, was adopted in July 2002. It sets air quality targets, the responsibilities of state administration authorities and municipalities for air protection, and the penalties for breaching the obligations in this field. The Kyoto Protocol was approved by the Parliament in March 2002.

In the area of waste management, in February 2002, the Government approved the Waste Management Programme of the SR until 2005. In August 2002, the Parliament adopted the Act on Packaging and Packaging Waste Directives. The Act entered into force in January 2003, with the exception of the provisions concerning heavy metals content of packaging, which will enter into force in January 2006.

In the field of water quality, good progress has been made with the entry into force, in June 2002, of the Water Act, which transposes individual water directives, but does not fully transpose the Water Framework directive. A national register of permits and wastewater discharges is being prepared.

In the field of nature protection, good progress has been achieved. The Nature and Landscape Protection Act has been adopted and entered into force at the beginning of 2003. It should fully transpose the Birds and Habitats directives.

As regards industrial pollution control and risk management, some progress has been achieved in the alignment of legislation. The Act on the Prevention of Major Industrial Accidents entered into force in July 2002. The Act on Environmental Labelling of Products has been adopted by the Parliament and entered into force in January 2003. The Act on an Environmentally Oriented Management and Audit System has also been adopted and entered into force in January 2003.

In the field of genetically modified organisms and chemicals, progress has been made with the entry into force of the act on the Use of Genetic Technologies and on Genetically Modified Organisms in April 2002 and of its implementing provisions in June 2002.

As regards noise, there has been good progress. The requirements on limiting noise emissions by equipment used outdoors, and by household appliances, have been transposed by government regulations.

Due to significant progress over last years, Slovakia has achieved considerable alignment with the EC environmental *acquis*. However, it still needs to complete transposition, most urgently in the field of industrial pollution. Slovakia needs to continue integrating environmental protection requirements into the definition and implementation of all other sectoral policies so as to promote sustainable development. Slovakia's administrative capacity to implement the EC environmental *acquis* still requires close attention. As regards planning, capacity needs to be strengthened in particular as regards waste management and water pollution.

It is pointed out that the following EU legislation is relevant in the context of agriculture, environment and rural development and should therefore be reflected and considered in the programme:

Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources

- It is included in SOP, conditions of this directive have been enacted in Act on Waters No. 184/2002

Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna

- This Directive is not mentioned in SOP, but in the Rural Development Plan, according to this the agricultural companies should implement arrangements obligatorily on the area of protected biotopes and species of semi-natural and natural grass land from agroenvironmental support.

Directive 79/409/EEC on the conservation of wild birds

- This Directive is not mentioned in SOP, but in the Rural Development Plan, according to it, a preparatory agreement exists, that on the mentioned surface, which falls under the protected bird territories will be the companies of agricultural production realizing obligatorily the basic scheme of agro-environmental support.

Directive 76/464/EEC on pollution caused by certain dangerous substances discharged into aquatic environment of the Community

Directive 80/68/EEC on the protection of groundwater against pollution caused by certain dangerous substances

- These 2 Directives can be found in Act on Waters No. 184/2002.

Directive 86/278/EEC on the protection of the environment and, in particular of the soil, when sewage sludge is used in agriculture

- This Directive is mentioned in the Rural Development Plan and in SOP, in our conditions it is fully replaced by an Act 188/2003 Coll. on application of sludge.

Directive 96/61/EEC concerning integrated pollution prevention control

- Contained within the Rural Development Plan, in 2003 an Act about an integrated pollution prevention control No. 245/2003 was adopted.

Agriculture, similarly as other human activities, is influenced by the environment. Currently, it is however dependent upon environment in much greater rate than other human activities.

On one hand through its activity it contributes to the pollution of environment and to the reduction of its ecological stability. On the other hand agriculture nevertheless plays a positive role in forming the countryside (through “countryside management”), its diversity and species variety. There is a close interdependence between the agriculture and the environment.

Environmental impacts of individual measures of the SOP

SOP contains 2 priorities: **Priority 1 Support of productive agriculture** (measures Investments in agricultural holdings, Improving processing and marketing of agricultural products) and **Priority 2 Support of sustainable rural development** (Forestry, Fishery, Promoting the adaptation and development of rural areas, Training).

Sustainable development of the society is to be understood like a development, which maintains the possibility for the current and future generations to satisfy their elementary necessities of life while not decreasing diversity of nature and preserves natural functions of ecosystems (§ 6 of the Act No 17/1992 Coll. on environment), i.e. the protection of environment belongs among the core objectives within each measure of the SOP.

Within the measure “*Investments in agricultural holdings*” the farmers have opportunity to get support for investments related to the buildings for stabling animals, storing and processing manure, fertilizers and pesticides, as well as for the replacement of obsolete technologies with those fulfilling conditions of environmental protection. Whereas the intensive farming, which mainly in large pig and laying hen operations produces big amounts of excrements, is one of the biggest sources of the environmental contamination by organic waste, the measure also provides space for receiving support for investments connected with utilization of excess biomass and use of alternative energy sources and thus contributes to the lowering of negative impacts of the primary production on environment.

The same goes for measure “*Improving processing and marketing of agricultural products*”. As regards this sector in particular obsolete, physically and morally worn technology of processing raw materials, low labour productivity, hygiene and lack of finances are the most notable problems. That is why the support is oriented towards the renewal of technological equipment and total modernization of operations. Special attention is paid to the support for investments related to the waste water treatment and waste disposal. In addition, in case of both these measures the applicant has to fulfil minimum standards for environment, hygiene and animal welfare in order to become eligible.

As regards measure oriented towards *forestry* the intention is to revitalise especially forests affected by imissions, to improve and rationalise cultivation of forests and thus to strengthen the protection of forests and overall welfare functions of the forests while maintaining and improving ecological stability because of extensive damaging of forests by synergic effect of natural and anthropogenic agents, imissions and natural disasters. In general there is a decrease of public interest effects of forests as well as their production functions, increase of devaluation of wood in damaged forests. Management of forests in Slovakia is facing the improvement of their current status and valuable fulfilment of all functions including productive ones. The priority interest is to reach such a status of forests that would continuously and in the long term fulfil required functions including the eco-stabilisation function.

By means of measure devoted to the *fish sector* the breeders as well as processors can get support for acquisition of technologies that are friendly to the environment or are expressly intended for the environmental protection in compliance with the EU legislation.

One of the specific objectives of the *land consolidation* projects is to increase the ecological stability. The positive impacts of this sub-measure on the environment are secured by the fact that each land consolidation project has to contain so called MUSES (local area system of ecological stability) and necessary ecological and anti-erosion activities in accordance with the relevant legislation. As regards the sub-measure „*Diversification of agricultural activities*“ the alignment with the environment is secured by the eligibility criterion that implemented projects have to comply with the environmental, hygiene, veterinary and food standards.

The *training* measure is expected to assist greatly at achieving the objective of improving environmental protection in the form of spreading sufficient information about environmental protection and environmentally protective agriculture and forestry so that the entities engaged in the primary agricultural and forestry production and primary processing in both sectors are able to apply them in practice and thus to lower negative impacts of their work on environment.

Adverse affects of the agriculture to individual components of environment are given in the text below:

3.2.10.2 ENVIRONMENT MONITORING

Policy of the environment system monitoring in the territory of the Slovak Republic adopted by Slovak Government Decree No. 449/1992 defines the environment monitoring as “systematic, monitoring, consistently defined in time and space, of exactly determined features of the environment items, or of influences affecting them, which with a certain degree of utterance ability, represent a monitored area and then in total a larger complex”.

The environment monitoring of the Slovak Republic is carried out on three levels:

- Full-area monitoring,
- Regional monitoring,
- Local or purpose-made monitoring.

By items monitored the full-area environment monitoring system is divided into partial monitoring systems (air, water, biota, waste, settlement, use of territory, geologic factors, soil, forests, extraneous substances in food and feeds, population burdening by the environment factors, radiation and physical fields, meteorology and climatology).

Information acquired in individual partial monitoring systems becomes a part of the Information Monitoring System. One of the information system outputs also are Reports on the Environment Situation (a complex wording of the mentioned report in English version as well as reports for previous years are available on www.sazp.sk in the part Magazines - SoE.

3.2.10.3 ENVIRONMENT QUALITY

A long-term exploitation of natural resources, pollution of individual environment items, half-baked interventions to the country, obsolescence of production technologies, insufficient infrastructure and other phenomena worsened the situation of the environment quality, reflecting in various levels of devastation and endangering in individual regions of the Slovak Republic as well as in unfavourable impact on people's health, ecosystems and economy itself. There are 5 levels of **the environment quality**.

Table: Acreage and share of area in Environment Quality Categories

Category	Km ²	%
Level I and Level II (high degree environment or satisfactory environment)	33,414	68.1
Level III (slightly impaired environment)	3,289	6.7

Level IV (impaired environment)	10,287	21.0
Level V (heavily impaired environment)	2,044	4.2

Table: Most endangered regions in the Slovak Republic:

- Bratislava Region	- Middle Váh River Region
- Trnava-Galanta Region	- Middle Gemer Region
- Upper Nitra River Region	- Košice Region
- Upper Váh River Region	- Middle Zemplín Region
- Middle Hron River Region	

As for particular branches of the national economy, the environment quality is most affected by industry represented particularly in the above mentioned endangered regions of the Slovak Republic. Furthermore agriculture is a significant polluter. This in particular concerns a share of agriculture in emissions of greenhouse gases, extent of soil impairment by harmful substances, erosion, waste water discharge, etc.

3.2.10.4 NATURE AND COUNTRY PROTECTION

Table: Review of Protected Territories in the Slovak Republic by Categories

Category	Number (As of 1 April 2002)	Area of Protected Territories (PT) in ha	Area of Protective Belts (PB) in ha
Protected land regions	14	525 547	---
National Parks	9	317 821	276 379
Protected Areas	189	7 001.1997	2 263.2476
Natural Reservations	376	11 766.7217	243.4022
National Natural Reservations	231	85 905.4584	3 296.9989
Natural Treasures	230	1 531.5489	207.5711
National Natural Monuments	60	58.9381	26.6225

Source: Slovak Environment Ministry

The total area of national parks and protected land regions represents 22.8 % of territory of the Slovak Republic. The total area of small-area protected territories including their protective belts (Protection Level 3-5) represents 2.3 % of the territory.

3.2.10.5 WORLD NATURAL AND CULTURAL HERITAGE

Four objects of cultural heritage and two objects of natural heritage are incorporated in the List of World Natural and Cultural Heritage of UNESCO. At the same time eight objects of cultural heritage and six objects of natural heritage are proposed to be incorporated in the List.

3.2.10.6 NATURA 2000

Main factors influencing further direction of nature protection include implementation of NATURA 2000 system principles in the interest of formation of the European network of specially protected territories.

At present, under Act No. 543/2002 Coll. on Nature and Country Protection, the definition and subsequently declaration of territories is being carried out under coordination by the Slovak Environment Ministry in accordance with

- Council Directive No. 79/409/EEC on the conservation of wild birds (also known as Directive on Birds),

- Council Directive No. 92/43/EEC on the Conservation of nature habitats and of wild fauna and flora (also known as Directive on Biotopes).

Directive on Birds

The list of bird species was approved by the Decree of Ministry of Environment of the Slovak Republic (No. 24/2003), based on which the protected territories have been declared. The list of bird species is included in the Annex 4 of the Decree. The list contains 145 bird species, of which 80 species have an European significance.

38 localities with an average area of 30,968 ha (min.60 ha – max.128,014 ha) were declared to be special protected areas (SPA). The total area of SPAs represents 1,236,545 ha, i.e. 25.2% of the territory of the Slovak Republic. This area has been gradually corrected and a final proposal was submitted to the service of the Commission in 2003.

From the proposed area 387,305 ha of it is agricultural land, while there is a preliminary agreement that a basic scheme of agro-environmental support will be proposed to the agricultural production entities.

Further SPAs will be declared gradually by the Decrees of Ministry of Environment of the Slovak Republic. The following number of sites are supposed to be declared during the period 2004-2006: in 2004 – 3 localities with 123 859 ha of the total acreage, in 2005 – 4 localities with 65 933 ha of the total acreage and in 2006 – 4 localities with 108 876 ha of the total acreage.

Directive on Biotopes

The list of the proposed sites of Community importance (pSCI) was approved by the Decree of Ministry of Environment of the Slovak Republic (No.24/2003). The list of habitat types is included in the Annex 1 of the Decree and contains 86 habitat types, 32 of which are indicated as a priority.

The draft list of pSCI has been approved by the Slovak Government on 17 March 2004 and will be sent to the Commission by 30 April 2004. This draft contains approximately 400 areas, which cover approx. 10.5 % area of the Slovak territory. The overlapping with the current protected areas is 75%. Approx. 170,000 ha from the total area of these territories, represent agricultural land. In these areas the agricultural entities should compulsorily take a measure concerning protection of biotopes in semi-natural and natural grass coppices from the Agro-environmental support.

Slovakia commits itself not to tolerate the aggravation of the situation in approved territories.

3.2.10.7 IMPACT OF AGRICULTURE ON ENVIRONMENT

AIR AND GLOBAL CLIMATE

Air pollution and the resulting climatic change represent one of the most significant environmental problems of the world. Adoption of the UN Framework Convention on Change of Climate (for the Slovak Republic valid since 1994) is aimed to reach stabilisation of greenhouse gases concentrations in the atmosphere on a level which yet does not cause dangerous anthropogenic interferences with the climatic system.

Agricultural production procedures are producers of greenhouse gases, mainly methane (CH₄), nitrous oxide (N₂O), in a smaller extent - carbon dioxide (CO₂), halogenated hydrocarbons and they also produce ammonia (NH₃).

Methane emissions (CH₄)

Agriculture (animal production) – large-scale beef and sow breeding belong to the biggest methane producers. Methane arises as a direct product of metabolism in herbivores (enteric fermentation) and

as a product of animal excrements degradation. In 1996 the share of agriculture in the total methane production was 35% (109,000 tons).

This share has been continuously decreasing with regard to reduction in number of livestock that can be proved by the year of 1999 when 64,000 tons methane were produced in agriculture and by the year of 2000 when 62,500 tons of methane were emitted from agricultural activity. The total share of agriculture in the greenhouse gases balance represented 8% in 2000.

Table: Number of Livestock in the Slovak Republic between 1991- 2001

	1991	1992	1993	1994	1995
Livestock	1 397 000	1 182 000	993 000	916 200	929 000
Pigs	2 428 000	2 269 000	2 179 000	2 037 400	2 076 000
Sheep	531 000	572 000	411 400	397 000	428 000
Poultry	13 866 000	13 267 000	12 234 000	14 246 000	13 382 000
Horses	13 000	12 000	11 000	10 000	10 000

	1996	1997	1998	1999	2000	2001
Livestock	891 991	803 398	704 792	665 100	646 100	644 900
Pigs	1 985 223	1 809 868	1 592 599	1 562 100	1 488 400	1 469 400
Sheep	418 823	417 337	536 199	340 300	348 000	358 400
Poultry	14 147 177	14 221 713	13 116 796	12 247 400	13 580 000	13 611 600
Horses	9 722	9 533	9 550	9 000	10 000	8 000

Source: Statistical Bureau of the Slovak Republic, Green Report, Slovak Agriculture Ministry, 2002

Table: Methane Emissions in the Years 1990-1999 (in thousand tons)

	1990	1991	1992	1993	1994
Total Emissions of CH₄ (Slovakia)	322	294	268	250	244
thereof:					
Agriculture	135	118	103	88	83
- Enteric Fermentation	116	100	87	73	69
- Animal Waste	19	18	16	15	14
Other Sources:					
Fugitive Emissions	68	62	55	57	57
Waste	98	96	94	90	91
Power Engineering	85	77	69	68	68
Processes in Industry	7	6	7	6	6
Forest Fires	3	3	3	3	3

	1995	1996	1997	1998	1999
Total Emissions of CH₄ (Slovakia)	248	254	241	223	222
thereof:					
Agriculture	85	81	74	67	64
- Enteric Fermentation	71	67	62	56	54
- Animal Waste	14	14	12	11	10
Other Sources:					
Fugitive Emissions	60	63	64	62	62
Waste	91	100	91	85	88
Power Engineering	70	72	73	71	71
Processes in Industry	6	6	X	X	X
Forest Fires	3	1	X	X	X

X- Non-established datum

Source: Third National Report on Climate Change, Slovak Environment Ministry, 2001

Emissions of Nitrous Oxide (N₂O)

When comparing with other greenhouse gases, the mechanism of emissions and captures of nitrous oxide has not been completely examined. The presented values are burdened with a considerable level of uncertainty.

The main resource of nitrous oxide is agriculture (plant production) – surpluses of mineral nitrogen in soil (consequence of intensive fertilisation) and unfavourable air regime of soils (soil compaction). In 1996 the share of agriculture in the total production of nitrous oxide was 70% (5,500 tons).

From the beginning of the 1990's the average fertiliser consumption dropped (90 kg N/ha in 1990, 30 kg N/ha in 1994 and 40 kg N/ha in 1998), while the production of nitrous oxide from agriculture has been rapidly decreasing with regard to a substantive reduction of fertiliser use.

Table: Consumption of Industrial Fertilisers in the Years 1990 - 2001

	Measuring unit	1990	1993	1995	1996
Consumption of nitrogen, phosphor and potassium fertilizer	t	581 811	95 009	102 233	111 078
- agricultural land	kg.ha ⁻¹	239.7	41.6	45.0	48.9
- arable land	kg.ha ⁻¹	400.8	66.2	71.6	78.2
Consumption of manure	t.ha⁻¹	X	6.69	5.58	5.33

	Measuring unit	1997	1998	1999	2000	2001
Consumption of nitrogen, phosphor and potassium fertilizer	t	132 988	119 417	89 083	101 329	117 335
- agricultural land	kg.ha ⁻¹	57.0	51.2	40.1	46.6	53.9
- arable land	kg.ha ⁻¹	91.1	81.8	65.8	83.1	96.2
Consumption of manure	t.ha⁻¹	3.3	3.5	3.1	3.2	3.5

X- Non-established datum

Source: Green Report, 2002

Table: Emissions of nitrous oxide in 1990-1999 (in thousand tons)

	1990	1991	1992	1993	1994
Total Emissions of N₂O	18.9	16.1	14.1	11.8	11.9
Agriculture	16.2	13.5	11.8	9.6	9.0
Power Engineering	0.8	0.7	0.7	0.6	0.7
Processes in Industry	1.9	1.8	1.6	1.3	2.1
Waste	0.07	0.07	0.05	0.04	0.04

	1995	1996	1997	1998	1999
Total Emissions of N₂O	12.5	10.3	10.3	9.8	8.9
Agriculture	9.4	9.3	9.1	8.6	7.7
Power Engineering	0.7	0.8	0.8	0.9	0.9
Processes in Industry	2.3	1.2	0.3	0.2	0.2
Waste	0.04	0.04	0.04	0.04	0.04

Source: Third National Report on Climate Change, Slovak Environment Ministry, 2001

Emissions of Carbon Dioxide (CO₂)

Share of agriculture in carbon dioxide creation, which gets into air mainly in conversion of meadows and forest areas to arable land (they were 90,000 ha between 1956 and 1990). IPCC Methodology set the average emission of CO₂ from conversion of grassland at approx. 500 Gg/year. However, agriculture, in comparison with other areas of creation of carbon dioxide emissions, is a negligible producer.

Captures of CO₂ – forest stands participate to a considerable extent in atmospheric carbon dioxide captures. At present the Slovak Republic has almost 41 % forest areas, annual capture of CO₂ emissions is more than 5,000 Gg.

Table: Carbon Dioxide Emissions in the Years 1988-1999 (in thous. tons)

		1988	1990	1991	1992	1993	1994
Emissions	Power Engineering	53 753	55 724	49 487	45 731	42 907	39 802
	Transport	4 500	5 070	4 426	4 116	4 029	4 189
	Processes in Industry	3 000	3 882	2 945	3 161	3 093	3 249

Captures	Forest Ecosystems	- 3 938	- 4 257	- 4 257	- 4 257	- 4 257	- 5 116
	Economic Forests	- 3 938	- 4 013	- 4 013	- 4 013	- 4 013	- 4 461
	Conversion of Meadows	-	462	462	462	462	462
	Deforestation	-	317	317	317	317	126
	Afforestation	-	- 1 753	- 1 753	- 1 753	- 1 753	- 1 773
	Forest Fires	-	730	730	730	730	530
	Total Emissions of CO₂	59 606	59 606	52 432	48 892	46 000	43 051
	Net Emissions of CO₂	57 180	50 007	46 466	43 574	39 816	41 235

		1995	1996	1997	1998	1999
Emissions	Power Engineering	41 062	41 620	41 803	40 089	41 326
	Transport	4 216	4 164	4 591	4 950	4 821
	Processes in Industry	3 408	3 249	3 354	3 505	3 549
Captures	Forest Ecosystems	- 5 116	- 5 281	X	X	X
	Economic Forests	- 4 461	- 4 256	X	X	X
	Conversion of Meadows	462	462	X	X	X
	Deforestation	126	111	X	X	X
	Afforestation	- 1 773	- 1 776	X	X	X
	Forest Fires	530	187	X	X	X
	Total Emissions of CO₂	44 470	44 877	45 157	43 594	44 875
	Net Emissions of CO₂	40 644	40 644	41 072	41 911	42 248

X – Non-established datum

Third National Report on Climate Change, Slovak Environment Ministry, 2001

Ammonia Emissions (NH₃)

Agriculture (animal production) has a dominant status in ammonia emissions creation (more than 97 %). Livestock breeding, in particular its intensive form is the decisive producer. With regard to decreasing number of livestock, ammonia production is falling too. The average concentration of animals per area of agricultural land in the Slovak Republic represents only 0.5 VDJ.ha⁻¹.

Table: Ammonia Emissions in the years 1990-2001 (in thous. tons)

	1990	1991	1995	1997	1998	1999	2000	2001
Agriculture	62.9	59.2	41.2	38.4	33.9	30.9	34.9	35.1

Since 1 January 2000 air pollution by ammonia emissions has been financially sanctioned in the Slovak Republic. Within air protection, the valid legislation stipulates a duty to pay a fee of SKK 2,000/ton/year (EUR 48.1) of produced ammonia emissions. The emission factors for ammonia in livestock breeding are stipulated by the Slovak Environment Ministry Decree. The calculated total emissions in percent can be decreased when applying low-emission techniques (injection in fertilisers' application, ploughing in of fertilisers within 6 hours after application, covering and fitting of basins, modified conditions of stabling, setting of proteins in feed ration.)

Emissions of Volatile Organic Compounds

Volatile organic compounds, contributing to creation of photochemical smog used in agriculture when applying chemical preparations for plant treatment, make 0.5 % in the total creation of these emissions.

WATER

Pollution of agricultural sources influences surface and ground water. This is caused particularly by nitrates, pesticides, releasing from ensilaging juices.

The main sources of nitrates are mineral fertilisers, percolations from cattle breeding, in particular animal excrements. The nitrates may cause eutrophication of water and contaminate ground waters, endanger the drinking water quality.

Residuals of pesticides in various parts of water may often have an influence on biodiversity especially in cases that aquatic ecosystems as well as terrestrial ecosystems are connected with water. They also are a potential danger for water quality that leads to increasing of expenses on supplying with drinking water. Agricultural activities have a significant influence on water quantity used for irrigation. Especially a disproportionate drawing may lower the water level and partially increase the soil salinisation as well.

Drainage and irrigation damage natural sites, especially marshes. Moreover, agriculture may contribute to floods since some agricultural practices decrease water infiltration in soil and decrease the outflow (soil compaction, uncovered soils, removal of hedgerows).

Water Pollution by Nitrates from Agricultural Activity

Non-point pollution from application of fertilisers and pesticides prevails over point pollution (animal production farms, storage of fertilisers and so on) in pollution of surface and ground water from agricultural activity.

Real Situation in Water Sources Pollution by Nitrates in the Slovak Republic

Surface Water

The nitrates content does not exceed 10 mg NO₃/l in any surface resource.

Ground Water

Table: Nitrates content in ground water

Area of the Slovak Republic	Content of Nitrates			
	15 - 30 mg/l	30 - 50 mg/l	Over 50 mg/l	Total
	Number of wells	Number of wells	Number of wells	Number of wells
Western Slovakia	150	63	25	238
Northern Slovakia	36	10	2	48
Central Slovakia	13	6	2	21
Eastern Slovakia	67	14	4	85
Total	266	93	33	392

Source: Research Institute of Water Management, 1999

Nitrate Directive

In 1999 a study called "Water Resources Protection against Pollution by Nitrates from Agricultural Activity" was elaborated for the implementation purposes of Directive 91/676/EEC concerning water protection against nitrates from agricultural sources (Soil Science and Conservation Research Institute Bratislava).

This study reviewed the results of data funds for the entire territory of the Slovak Republic:

- Classification of fertilising intensity (mineral fertilisers)
- Classification of fertilising with nitrogen in the form of organic fertilisers
- Evaluation of potential of water sources pollution by water erosion
- Evaluation of potential of nitrates creation in soil

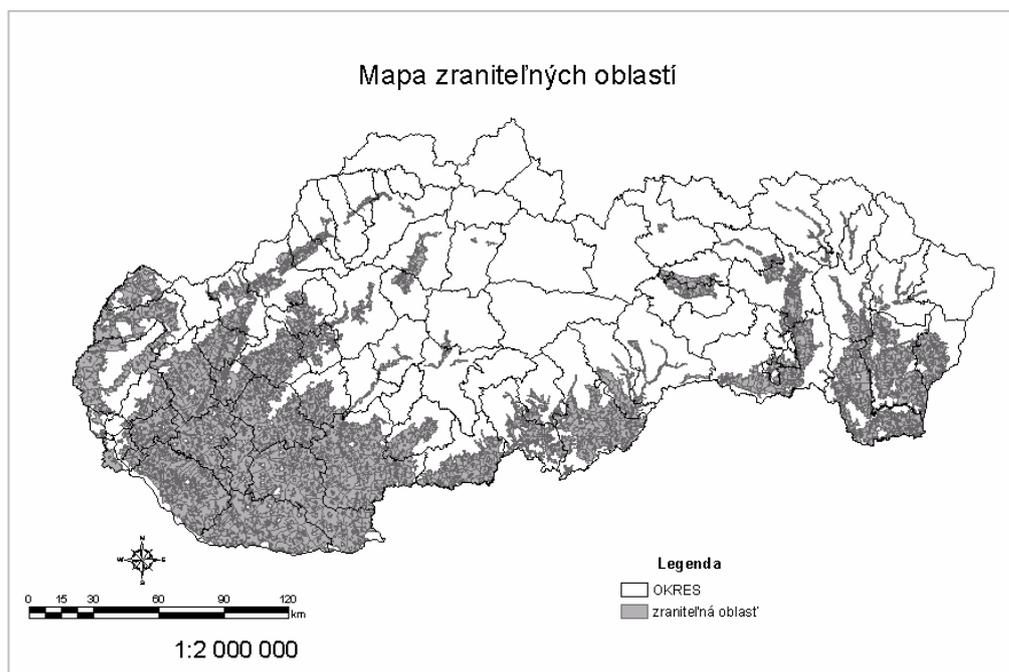
Procedure in approximation of Directive 91/676/EEC:

- Elaboration of Good Agricultural Practice Code – Water Protection – elaborated by the Slovak Agriculture Ministry in 1991 on the basis of materials of the nitrate directive Code.
- Legislative regulation of the Slovak Republic – conditions for the nitrate directive was legislatively anchored in Act No. 184/2002 Coll. on waters elaborated by the Slovak Environment

Ministry. The Water Law defines vulnerable zones as territories used for agricultural purposes, which are drained to surface waters or ground waters, while concentration of nitrates in ground waters is higher than 50 mg.l^{-1} , or this value could be exceeded if necessary measures to prevent this trend have not been taken.

- Determination of vulnerable zones – in May 2003 the Slovak Environment Ministry submitted for commenting a draft legal regulation by which sensitive and vulnerable areas of the Slovak Republic are stipulated. Water systems of surface water situated in the territory of the Slovak Republic are proposed for sensitive areas. Territories in which increased protection of surface and ground water is ensured before pollution by nitrates from agricultural sources are proposed for vulnerable areas. The proposal of vulnerable areas is depicted in the map and the total area represents approximately 30% of the area of agricultural lands of the Slovak Republic.
- Elaboration of Action Programme for Ensuring of Water Resources Protection – Water Law stipulates time limits for elaboration of the Action Programme – the deadline is September 2003.

Map of Vulnerable Zones



Key: DISTRICT
Vulnerable area

Water Euthrophication

Pollution and deterioration of surface water quality reflects in euthrophication causing an increase of biogenic elements, especially phosphor and nitrogen in water and in soil, while phosphor, getting to surface water from industrial fertilisers, has a priority status.

Industrial fertiliser consumption in 2001 has increased in comparison to 2000 and reached 51.5 kg of pure nutrients per hectare of agricultural land. In 2000, 79.1 % of arable land were fertilised by industrial fertilisers.

Table: Consumption of Nitrogen, Phosphor and Potassium fertilizer per 1 ha of Agricultural Land in the Slovak Republic for the Period 1986 - 2001 (kg of pure nutrients)

Fertiliser Group	Consumption						
	1986	1990	1991	1992	1993	1994	1995
Nitrogen Fertilisers	91.3	91.6	62.8	39.5	28.4	29.1	30.6
Phosphoric Fertilisers	78.7	69.0	30.7	12.6	7.2	7.1	7.8
Potassium Fertilisers	81.4	79.1	29.6	11.8	6.0	5.9	6.6
Total	151.4	239.1	123.1	63.9	41.6	42.1	45.0

Fertiliser Group	Consumption					
	1996	1997	1998	1999	2000	2001
Nitrogen Fertilisers	32.8	37.7	38.3	29.4	33.4	37.4
Phosphoric Fertilisers	8.8	10.5	9.6	4.8	7.3	8.8
Potassium Fertilisers	7.3	8.8	8.0	5.9	5.9	7.7
Total	48.9	57.0	55.9	40.1	46.6	53.9

Source: Research Institute of Agricultural and Food Industries Economy, Green Report, Slovak Agriculture Ministry, 2002

With regard to a rapid drop of fertiliser use, the share of agriculture in eutrophication has decreased too.

Irrigation and Drains

The largest part of implementation of melioration facilities construction in the Slovak Republic was carried out between 1960 and 1990. In 2002 the total status of melioration facilities is approx. 280,000 ha which is gradually decreasing in consequence of an insufficient maintenance. Their main aim was to regulate water and air regime of soils for harvest stabilisation.

Table: Main Melioration Facilities in the Slovak Republic (ha)

Region	Built Irrigations	Built Drains
Bratislava	40 256	14 779
Trnava	105 935	34 026
Trenčín	11 940	34 072
Nitra	100 859	39 818
Žilina	5 412	53 944
Banská Bystrica	23 628	80 716
Prešov	5 093	75 530
Košice	26 968	125 615
Total	320 091	458 500

Source: Slovak Water Management Company, state company, 2002

Drain was performed by draining channels, ditches and drainage systems. At present, information on draining devices is being collected and many of them will be proposed for cancellation on the basis of evaluation. However, the problems exist also in essential draining devices; with regard to insufficient financial funds, the maintenance has not been sufficiently carried out that reflects in agricultural lands.

Irrigation systems were predominantly built as supplementary, while the main aim of them was to supplement the moisture deficit with regard to uneven division of rainfall in a vegetation period. Liquid manure irrigations were built sporadically. In a larger extent, special irrigations (drip and sprinkle types) were built mainly for the purposes of irrigation of fruit orchards and vineyards.

With regard to insufficiency of financial funds of agricultural entities, irrigations are used in a small extent (about 20%). The situation is critical in maintenance of main irrigation equipment as well as

irrigation technique, which is obsolete in a considerable extent. The efforts are aimed at making the irrigations systems functioning in the most productive areas of the Slovak Republic (Podunajská and Východoslovenská Lowlands) also in connection to expected climatic changes. (In 2000 the damage in agricultural production due to extreme drought were estimated at more than SKK 11 billion. Irrigation partially mitigated in the damage but with regard to its non-function in some areas of the Slovak Republic it could not be used in a full extent).

Sufficient preconditions for a proper taking of melioration measures have been established in the Slovak Republic, namely on a research basis on the one hand and counselling as well as skills of system operators and farmers regularly trained on the other hand.

Negative Impacts of Meliorations

In many cases of building irrigation systems in the past, the natural sites, especially marshes were damaged. As a consequence of liquidation of these natural biotopes the ecologic systems were damaged that reflected in agricultural activity too. The effort is to revitalise the mentioned systems also by means of the Agro-environmental Programme of the Slovak Republic.

Localities of salted soil can be sporadically found in the Slovak Republic. They however are not a sign of irrigation but that of geo-chemical factors and reflect in the territories (mainly of southern Slovakia) with presence of mineralised water.

A negative effect of irrigations is rather use of water of cleanness level III and IV (conditionally suitable for irrigations) and soil contamination caused thereby.

Water sources protection

Protected water management areas

Slovakia has 10 areas declared protected water management areas, with the total area of 69 420 ha – the surface of agricultural lands being 30 850 ha and forest lands covering 32 898 ha.

Hygiene protection zones around water sources

- 1 138 hygiene protection zones around ground water sources,
- 70 hygiene protection zones around surface water sources,
- 7 hygiene protection zones around water reservoirs,

The surface of the hygiene protection zones totals over 850 000 ha.

Agriculture and protected water areas

Lands used by agriculture represent about 250 000 ha from the surface of protected territories.

SOIL

Consistent recognition of the multifunction importance of soil is a primary part of individual and social consciousness of a society and of all those who are liable for protection and proper use of soil.

Table: Land Acreage Situation (1998 - 2001)

Land Type	Situation of land area as of 31 Dec. 1998 (thous. ha)	Situation of land area as of 31 Dec. 1999 (thous. ha)	Situation of land area as of 31 Dec. 2000 (thous. ha)	Situation of land area as of 31 Dec. 2001 (thous. ha)
AGRICULTURAL LAND	2 443.6	2 442.2	2 440.7	2 439.4
Thereof: arable land	1 469.2	1 460.6	1 450.5	1 441.2
Permanent Grass Growth	848.2	856.4	865.2	874.4
Vineyards	28.4	28.0	27.7	27.4
Orchards	19.0	18.6	18.8	18.3

Gardens	77.8	77.7	77.6	77.5
Hop-gardens	1.0	0.9	0.8	0.6

Source: Green Report, Slovak Agriculture Ministry, 2000, 2002

Average area of the agricultural land per capita is 0.46 ha; average area of forest land is 0.37 ha. In total, 0.83 ha of land falls on 1 inhabitant.

Table: Production Potential of Agricultural Lands

Production Group	1	2	3	4	5	6	7	8	9
Representation in %	9.2	19.6	20.0	7.9	13.0	13.5	9.6	5.2	2.0

1. Highly productive soils; 2. Very productive soils; 3. Productive soils; 4. Medium-productive soils; 5. Less-productive soils; 6. Low-productive soils; 7. Very low-productive soils; 8. Soils less suitable for agricultural production; 9. Soils that is unsuitable for agricultural production.

Only an average agricultural production capacity of our lands arises from the assessment.

Production potential of soils in the Slovak Republic is assessed by point values of relative land quality (foreign equivalent – productivity index). It ranges from 1 to 100 points, while the point value of better lands is higher. The point value is determined on the basis of the indicator quality soil-ecological unit (SEU) of a relevant land which is deducted from assessment of climate, land type, matrix, granularity, skeleton contents, soil depth, sloping and exposition of slope. On the basis of a carried-out complex land research, the territory of the Slovak Republic has set more than 6,260 (SEU).

Present State of Quality and Lands Threatening

The present state of ground cover quality in the Slovak Republic is a result of a natural development during hundreds of years and it is also a product of people.

Physical Degradation of Land

Land Erosion

Water erosion is the most serious problem of agricultural lands in the Slovak Republic. It threatens about 1,360,000 ha (about 55 %) of agricultural lands.

Table: Acreage of Agricultural Lands Utmost Threatened by Erosion

Stage of Danger		Total Agricultural Land		Thereof Arable Land		Permanent Grass Growth
	%	Ha	%	Ha	%	Ha
Middle-threatened soils	19.0	475 784.6	24.2	362 467.4	13.3	113 317.2
Very threatened soils	17.4	435 179.6	15.1	226 638.2	24.6	208 541.4
Extremely threatened soils	18.0	449 844.5	4.2	62 171.8	45.6	387 672.7

Source: Soil Science and Conservation Research Institute

The potential of wind erosion of the soil is rather low in Slovakia. Only 1.3% of agricultural land is under extreme threat; 0.4% is subject to high intensity wind erosion, 4.8% is exposed to medium intensity wind erosion.

Soil compaction

The compaction of agricultural land in Slovakia is of relatively great extent. Approximately 192 thousand hectares of agricultural land are actually compacted. The compacting processes are potentially underway on further 457 thousand hectares of agricultural land. As a result of compaction, both production and non-production functions of the soil go weakening. The acceleration of

compaction of our soils goes hand in hand with the use of heavy machinery and with incorrect land cultivation.

Water-logged soil

Agricultural land on the area of 560 000 ha is permanently influenced by high ground water level, due to which, as well as due to adverse grain composition (high proportion of clay particles), these lands have a less suitable structure, are more prone to compaction and have low water permeability. Access to these lands is delayed.

The largest areas of such lands are found in a part of the East-Slovakian Plain, adjoining the Ukraine.

Extremely light soils

This group includes extremely light, sandy up to loam soils with the grain fraction contents of < 0,01 mm, 0-20%, with low water retention, which suffer the most from the drought. Agricultural production on these soils can be run only with increased costs. The acreage of these soils reaches about 30 000 ha. The area featuring the above mentioned soil characteristics is found especially in one part of the Záhorie plain, in the area bordering with the Czech Republic.

Skeletal soils

Highly skeletal soils, with skeleton contents in the surface and sub-surface horizon of over 50%. High skeleton content in the plough layer of these soils makes their cultivation difficult. The acreage of these soils reaches about 710 000 ha.

Flysh zone soils

These low-production soils developed on flysh substrates poor in minerals (alternating slate and non-calcareous sandstones). The flysh zone soils show lower stability of physical and chemical characteristics and are highly prone to excessive degradation, which brings about the negative consequences such as compaction of the plough layer, decrease of water permeability etc. These soils extend on the surface of about 430,000 ha.

Chemical degradation of soils

Acidification of soils

Acidification strikes large areas of Slovak lands, except for carbonate soils in the Danube plain. The total surface where it can develop with increased intensity is about 425 thousand ha (around industrial centres).

It is remedied for by liming, which is currently under the needed level and this leads to a slight increase in soil acidity. No larger extent of soil acidification has been recorded so far, thanks to a strong drop especially of the SO₂ industry-related emissions (from 569 thousand tonnes in 1989 to 178 thousand tonnes in 1998), as well as thanks to a drop in consumption of mineral fertilisers in Slovakia.

Humus content in soil

The chemical degradation of soils can also translate into the quantity and quality of humus in soil, as well as into the fall of proportion of ready and potential nutrients in soil. It is predominantly agricultural, especially arable land that is subject to both forms of degradation (often referred to as soil plundering).

As for the fertilisation by organic fertilisers, the deficit is estimated at about 30% (in terms of organic substance needs).

Contamination of soils

Soil pollution does not hit large areas in Slovakia. About 30 thousand hectares of agricultural land are hit by pollution over the limits, while pollution indication levels have been identified on another about 150 thousand hectares of agricultural land. The contaminated soils are located in areas around industrial sites, which are main causes of their pollution. Technical crops are grown on these soils.

Biological degradation of soils

The deficiency in organic and mineral fertilisers, incorrect crop rotation, bad soil management, as well as erosion, compacting, acidification and alkalisation, and soil pollution – all of these are the factors that cause degradation of soil life, which is the determining functional unit of the soil (without it, the soil is no longer soil). However, its degree had not yet been accurately quantified.

Sludge from water treatment plants

Stabilised sludge from water treatment plants represents one of the sources of organic mass and nutrients. Administration of this sludge into the soil is regulated by the act no. 188/2003 Coll. on sewage sludge and sediments application into soil. The method of assessing the sludge dose and its administration is based on defined conditions (suitable soil conditions including heavy metal and organic contaminants contents, nitrogen doses – max. 170 kg.ha⁻¹/year, pollutants contents in the sludge, maximum burden for the soil coming from sludge pollutants, conditions of suitable land plots and soil characteristics). The mentioned act fully implements the Directive 86/278/EEC.

Soil protection

From both qualitative and quantitative points of view, agricultural land protection is regulated by the Act No. 307/1992 on Agricultural Land Fund Protection in amended no. 83/2000 Coll.

In 2002, the Slovak government adopted the Principles of National Soil Policy, complying with the spirit of the European Soil Policy and of the World Soil Policy.

BIODIVERSITY

In 1997 the National Biodiversity Protection Strategy was approved by the Slovak Government. Drawing on the Convention on Biological Diversity (the Slovak Republic adhered to the Convention in 1993 with effect as of 1994), the Strategy is guided by the following principles:

- Biodiversity needs must be protected on the entire scale – in-situ in preference
- Artificially-induced biodiversity loss must be compensated for in the largest possible extent
- Landscape diversity needs to be maintained, in order to maintain a variety of life forms on all levels
- Natural resources must always be used in a sustainable manner
- Each person must be responsible for biodiversity protection and its sustainable use.

The strategy sets 24 goals in total and within them, 143 strategic tendencies for Slovakia's biodiversity protection are defined. A follow-up to the strategy is represented by the first 1998 – 2010 action plan, approved by the Resolution of the government of the Slovak Republic of 4 August 1998 No. 515.

In 1998, the National Report on Biodiversity Protection in Slovakia was elaborated, being the first report submitted by Slovakia under Art. 26 of the Convention. The report provides a brief view of biodiversity in Slovakia, including its condition, identifying the processes having influenced the biodiversity and describing measures adopted for in-situ and ex-situ biodiversity protection.

SLOVAKIA'S PROTECTED TERRITORIES**Nature and Country Protection**

The territory of the Slovak Republic comprises 9 national parks, 14 protected land regions, 189 protected areas, 376 natural reservations, 231 national natural reservations, 230 natural treasures and 60 national natural monuments (as of 1 April 2002, data by the Slovak Ministry of Environment).

The total area of specially protected territories (national parks, protected land regions, natural reservations, national natural reservations, natural treasures, national natural monuments and protected areas – protection levels 2 – 5) in Slovakia is 1 144 622.663 ha, which represents 23,3% of the country's surface. Two national parks and two protected land regions are part of the UNESCO World Biosphere Reserves programme Man and Biosphere. Twelve sites are on the list of wetlands of

international importance under the Ramsar Convention, while 4 areas are on the World's natural and cultural heritage list.

Agriculture in relation to natural and country's protected territories

The greatest proportion of the protected territories is made up by forests. Areas used by agriculture represent about 35 000 ha of the surface of the protected territories. The manner of farming (restrictions and conditions) in these areas is defined by the Act of the National Council of the Slovak Republic No. 543/2002 Coll. on Nature and Country Protection.

TERRITORIAL SYSTEM OF ECOLOGICAL STABILITY

Under the Act of the National Council of the Slovak Republic No. 543/2002 Coll. on Nature and Country Protection, the territorial system of ecological stability shall mean a structure of interconnected ecosystems covering the entire territory, their parts and elements, which shall ensure a diversity of conditions and forms of life in the country. The system is based on bio-centres, bio-corridors and interactive elements of supra-regional, regional or local importance.

In order to ensure the territorial system of ecological stability, the following documents are elaborated:

- a) General plan of supra-regional territorial system of ecological stability of the Slovak Republic as a document intended for a strategy of protection of diversity of conditions and forms of life in the country,
- b) Project of regional territorial system of ecological stability as a document intended for protection of diversity of conditions and forms of life in a particular region,
- c) Project of local territorial system of ecological stability as a document intended for protection of diversity of conditions and forms of life on a local level.

These documents are elaborated during the approval of:

- Land development documentation,
- Forest management plan and aggregate forest management plan,
- Water management plan directions,
- Re-cultivation plan,
- Geological work project,
- Motorways and roads construction plan,
- Waste management programme,
- Project of changes to land plots.

ENVIRONMENTAL IMPACT ASSESSMENT

Environmental impact assessment (EIA) is regulated by the Slovak law as follows:

- By the Act of the National Council of the Slovak Republic No. 127/1994 on Environmental Impact Assessment, modified and amended by the Act of the National Council of the Slovak Republic No. 391/2000 Coll.
- By the Decree of the Slovak Ministry of Environment No. 52/1995 Coll. on the List of persons professionally qualified for environmental impact assessment (the persons on the list are accredited by the Slovak Ministry of Environment).

The Act of the National Council of the Slovak Republic No. 127/1994 Coll. as later amended introduces in the Slovak law an effective system of forecasting and complex assessment of the expected environmental impacts (both positive and negative) for specified types of structures, facilities and activities – prior to approval of their implementation under specific regulations.

The Act specifies a procedure to be observed during a complex technical and public assessment of the contemplated structures, facilities and other activities defined by this law, before their implementation

is approved under specific regulations, as well as when evaluating proposals of some development concepts (Art. 35) and generally binding legal regulations, from the point of view of their expected environmental impact.

In line with the Annex no. 1 of the Act of the National Council of the Slovak Republic No. 391/2000 Coll., the following activities, structures and facilities are subject to assessment in the field of agricultural and forest production and in foodstuffs industry, with the threshold levels set as indicated.

Table: Environmental impact assessment

Activities, structures and facilities		Threshold levels	
		Part A (Mandatory assessment)	Part B (Investigation procedure)
Structures for intensive animal production, including dumping hills and side products with the capacity stated	- Economy animals		From 100 standing sites
	- Pigs	Over 2000 places (over 30 kg) or 750 sows	From 200 to 2000 places (over 30 kg) or 750 sow places
	- Poultry	Over 85 000 places for broilers 40 000 places for egg-laying hens	From 55 000 to 85 000 broiler places or 25 000 - 40 000 egg-laying hens places
Intensive fish breeding			No limit
Melioration operations (draining, irrigation, anti-erosion protection of soil, land changes, forest and technical amelioration)		Over 500 ha	From 10 ha to 500 ha
Structures for storing of pesticides, liquid and suspended industrial fertilisers		Over 10 t	
Incineration plants and veterinary sanitation institutes		No limit	
Peat extraction		Over 200 000 t/year or over 20 ha of extraction area	Up to 200 000 t/year or from 3 to 20 ha of extraction area
Deforestation and afforestation aimed at switching to another type of land use		Over 10 ha	From 5 ha to 10 ha
Proposals for use of non-cultivated or semi-natural areas for agricultural purposes			No limit
Proposals for restructuring of village settlements			No limit

Foodstuffs industry

Activities, structures and facilities	Threshold levels	
	Part A (Mandatory assessment)	Part B (Investigation procedure)
Breweries, malt plants, wine-production plants and non-alcoholic beverages production plants		No limit
Slaughter houses, meat-production plants, poultry-processing plants		No limit
Industrial facilities for starch production	Over 50 000 t/year of input material	Up to 50 000 t/year of input material
Sugar plants (sugar production and refining)	Over 150 000 t/year of input material	Up to 150 000 t/year of input material
Industrial production of confectionery and syrups		No limit
Distilleries	Over 10 000 t/year of primary material	

Fat-production industry (production of vegetal fats and oils)	Over 20 000 t/year of products	Up to 20 000 t/year of products
Dairies and industrial production plants of dairy products		No limit
Fish-processing and oil-producing industrial facilities		No limit
Canning and wrapping plants for animal and vegetal products		Over 100 t/year of products
Other special foodstuffs industry technologies		Over 100 t/year of products
Other biotechnologies		No limit

INTEGRATED PREVENTION AND POLLUTION CONTROL (IPPC)

The Act on integrated prevention and pollution control was adopted in 2003 (the guarantor being the Slovak Ministry of Environment).

The entities to which the IPPC applies will have to ask the Integrated Permit Office for an integrated permit. The integrated permit shall be an aggregate permit for all parts of the environment (air, water, waste, Nature and Country Protection, soil, health protection) and shall take into account also the view of the best technology accessible.

It shall apply to the following facilities in the field of agriculture and foodstuffs industry:

- Slaughter houses with the slaughtering capacity exceeding 50t/day
- Modification and processing facilities aimed at foodstuffs or feeds production:
 - From animal materials (apart from milk), with production capacity exceeding 75t of finished products a day
 - From vegetal materials, with production capacity exceeding 300t of finished products a day (average value for 3 months)
- Milk modification and processing facilities, where the amount of received milk exceeds 200 t a day (average value for one year)
- Facilities for destruction or valorisation of animal carcasses and animal waste, with processing capacity exceeding 10t a day
- Facilities for intensive poultry or pig breeding, with space for more than:
 - 40 000 pieces of poultry
 - 2 000 heads of pigs (over 30 kg) or
 - 750 heads of sows.

With regard to the fact that due to several measures proposed in the SOP, it is necessary to adhere to minimum standards in the field of environment, hygiene and animal welfare. Annex 2 gives an overview of these standards.

3.3 PRE-ACCESSION PROGRAMMES IN AGRICULTURE

3.3.1 PHARE

PHARE projects within the scope of the Ministry of Agriculture of the Slovak Republic are administrated by its Foreign Relations Department. The implementation agency is the CFCU (Central Finance and Contracts Unit) of the Slovak Government. These projects have been mainly focusing on such issues like land registration, institutional support of agricultural sector, preparation for implementation of Common Agricultural Policy, harmonisation of legislation in the field of animal identification, marking and registration, milk quality and setting up of National Reference Laboratory, information systems in agriculture, reinforcement of border checkpoints, market supervision – consumer protection etc.

3.3.1.1 Rural development fund

Rural Development Fund was created as part of the PHARE programme. The contractual parties agreed to apply it within the scope of the Special preparation programme of PHARE for Slovakia – “Pilot project for rural development”. Its benefit, simulating processes that were later on to be applied as part of the implementation of the SAPARD programme, was the acquisition of experiences concerning the preparation and realisation of projects.

3.3.2 SAPARD

As specified later in this document or its Annex the SAPARD Programme consists of 3 priorities and 9 measures. Its objectives are to contribute to the implementation of acquis communautaire concerning common agricultural policy and related policies and to solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

Since August 2003 the SAPARD Agency has been implementing all the measures of the Programme. So far 8 selection rounds have been organised where of 625 applications for aid were received. Hereof 28 projects have been rejected while 377 projects have been approved. SAPARD Agency executed 74 payments, 46 projects are already completed*.

Measures No. 4b (Diversification activities in rural areas - Infrastructure investments not generating substantial net revenue) and No. 2(Improvement of processing and marketing of agricultural and fish products) belong among the most successful measures in terms of number of approved projects.

See Annex 1 for more information on the point 3.3.

3.3.2.1 Results and findings

The evaluators note that in their dealings with the SAPARD Agency they have found the organisation to be well led with staff who is highly motivated to explore ways of improving the implementation of the Programme. The evaluators can verify the view expressed in the FAO project report that the guidelines for applicants is a very long and complex document. They would recommend the preparation of a shorter, more animated and user friendly general introduction to the Programme’s objectives and the assistance on offer. The present guidelines could be provided as a technical supplement.

The evaluators would agree with the FAO project recommendation that small businesses should be provided with much more concise information and be subject to much less demanding application procedures.

The principle of proportionality would suggest that the rigour of the project application and assessment process should be related to the size of the project.

The evaluators note that there is some dissatisfaction with the quality of the service provided by some of the advisors who are employed by the applicants to prepare applications. They would agree with the recommendation of the FAO project report that setting up a system, which would enable the exclusion of business advisors of those projects, which do not fulfil some minimum quality standards, should be considered.

The evaluators also conclude that a primary cause of the slower than expected progress on implementation is a low application rate and that the main causes are:

- ❖ Competition from national support schemes has depressed the application rate for SAPARD assistance;
- ❖ “Finance “ is the most important reason why potential beneficiaries have not so far applied for SAPARD assistance;
- ❖ The level of financial viability that company has to meet to be eligible for SAPARD is unnecessarily high and there is some evidence that this is also depressing the application rate;

* Source: SAPARD Agency as of 31 August 2003.

- ❖ The evaluators conclude that the time and cost involved in preparing an application for SAPARD is excessive and could be depressing the application rate.

Attention should also be given to the need for adjustments in the programme and its implementation methods, which improve the accessibility of the assistance to those beneficiaries who badly need it but are not able to respond.

Most of the measures of the *Programme* are the continuation of the SAPARD Programme measures. It has been learnt from the implementation of the SAPARD to draft a new Programme more widely as the SAPARD showed to be designed very narrowly what prevents potential applicants from applying for an aid.

Moreover, *information spreading* among potential applicants should be better. The MoA SR has taken steps to remedy the situation through trainings for the representatives of self-governed administration, state administration, NGOs, through website with regularly updated information etc.

Another lessons learnt from SAPARD concerns *implementation* (now the people are much more familiar with the *EU legislation*, application forms and other items connected with the implementation of the Programme like processing of applications, their assessment, control etc. in compliance with the EU regulations). People engaged in the SAPARD Programme *evaluation and monitoring* have gained a lot of knowledge and experience in these fields what is or will be utilized during the programming, monitoring and evaluation of SOP or RDP, i.e. the people have now much easier situation because of this previous experience from SAPARD compared to their colleagues engaged in other OPs who could not benefit from such an opportunity.

4. SWOT ANALYSIS

The current situation for all the relevant sectors in Slovakia has been described in the former chapter. Based on this chapter and in accordance with Council Regulation 1260/1999, a range of disparities, gaps and potentials have been outlined. In order to recap this, a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis has been carried out and the results hereof are summed up in the matrix below.

A SWOT-analysis is a tool for forwarded planning and it is therefore considered useful in order to identify the **external** level, which analyses *opportunities* and *threats* that are of relevance for the overall objective(s) for the SOP and which cannot be directly influenced. The second level analyses **internal strengths** and *weaknesses*, which are directly influenced by strategies and actions chosen.

The matrix makes it possible to analyse and match opportunities and threats with the identified strengths and weaknesses and thereby select which measures to implement.

Internal	
Strengths	Weaknesses
<ul style="list-style-type: none"> • A large part of farm production is concentrated in large subjects that should be responsible for the implementation of a more competitive farming system (in 2001 72 % out of the 1459 legal persons who managed 90 % of the agriculture land were profitable). • A large number of small private farms is represented by strong commercial producers and the process of structural change towards larger subjects appears to be feasible (in 2001 	<ul style="list-style-type: none"> • Stagnating production system of farms, characterised by obsolete and worn-out buildings, facilities and equipment. • Deteriorating state of physical infrastructure and equipment in fishery and fish nurseries. • Sub-standard operating life, obsolete and unreliable equipment of buildings and technologies in some sectors of the food-processing industry. • Deficit in preparation of marketing plans.

<p>the average size of agriculture land was 39,2 ha in SR, while it was 29 ha in Czech Republic).</p> <ul style="list-style-type: none"> • Highly qualified state of agricultural labour force, in particular in food production. • Diversity and quality of the country, mountains and many other features of a rich cultural and natural environment have a great recreational value • A dense and relatively stable structure of settlement helps to sustain a strong social structure in the rural regions protects a strong folklore culture and may operate as a focal point for the future development of trade and infrastructure • A large extent of valuable environmental property and cultural heritage in the rural regions is protected and managed. • Building facilities in the natural environment, e.g. for tourism and leisure activities 	<ul style="list-style-type: none"> • Most of the freshwater fish processing facilities do not comply with EU standards. • Insufficiently mechanised harvesting in forests and timber processing. • Lack of interest/investment in the possibilities of increasing added value in the area of food-processing. • Underdeveloped interconnections between the stages of production, harvest, storage, processing and distribution in the supply chain. • Fragmentation of food-processing subjects in several sectors and a slow progress toward restructuring and modernisation of others. • Farm fragmentation • Fragmentation and scattered ownership of forests. • Insolvency of farming subjects. • Insolvency of a significant number of food-processing subjects. • Young population outflow in several regions is reducing human resources and creating an adverse demographic structure. • Underdeveloped vocational and professional knowledge of the rural population in general. • Underdeveloped market in land and little progress in the registration of private ownership of land. • Unrealistically low rent of farmland. • Insufficiently developed financial infrastructure, which is not adapted to the specific conditions and needs of farming and food processing. • Persistence of dependency on communal farms (co-operatives). • Underdeveloped forms of social capital for the efficient management of co-operating farms. • Lack of interconnection between owners of forestland in management of this multifunctional source. • Underdeveloped self-governing sector in rural areas. • Underdeveloped capacities for bottom-up planning and implementation of local development projects in rural areas. • Lack of interconnection of public interventions relating to or influencing rural areas. • High protective support of farm prices and incomes. • A rural labour force inappropriately dependent upon economic boom or recession. • Lack of regional enterprises that are established on or connected to the use of local resources. • Insufficient use of rural resources with significant economic potential. • Rural areas receive an unequal share of domestic investment.
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	<ul style="list-style-type: none"> • Rate of public sector employment is inappropriately concentrated in the Bratislava region. • Insufficient provision of technical, public and social services in rural self-governing municipalities. • Underdeveloped communication and transport networks between rural areas and external markets. • Isolation of the more distant rural population from employment in urban areas and services • Development and maintenance of the forest road network is poor • Non-protection of several rural areas and agricultural systems against floods • Non-protection of forests against fires and other dangers • Non-protection of the production of agricultural commodities against droughts • Declining tendency of agricultural activities leads to neglect and deterioration of the countryside • Non-protection of environment against several adverse impacts ensuing from farming activity • Social exclusion - long term unemployed people and Roma community lose their working habits.
External	
Opportunities	Threats
<ul style="list-style-type: none"> • Improved competitiveness of the food industry in connection with the increased quality of food products, using systematic implementation of the quality management system linking to ISO norms in other branches of the food processing industry. • Diversification of the economic base of rural areas, in particular through the introduction of those branches, which will provide room for finalisation and marketing in domestic and foreign markets (cash and technical crops, sheep breeding, breeding of small animals, etc.), • Possibility for better use and evaluation of round timber and other forest products (forest fruits, medical plants, grass, mud, hunting game, etc.). 	<ul style="list-style-type: none"> • Social isolation of the rural countryside • Development of companies has been carried out mostly in Bratislava region and other regional centres (NUTS II), which is connected with sufficient transport infrastructure and construction of industrial parks, operations of big chain stores and big industrial enterprises. • Inability to create regional physical infrastructure at a sufficient level in order that general economic and social development of the region would be possible. • If completion of the approximating to EU requirements in all production branches in the field of European quality and hygiene directives for entering the EU market is not succeeded.

5. STRATEGY AND OBJECTIVES OF THE PROGRAMME:

The proposed strategy of the SOP is based on SWOT analysis and builds on logical frameworks ensuing from this analysis.

On this purpose the strategy of SOP is oriented at the following:

- Development of competitive and environmentally-friendly agricultural and forestry production,
- Increasing the level of quality of processing, added value, marketing and development of products of agricultural production,
- Creation of conditions for stabilisation of rural settlement, i.e. to ensure an adequate standard of living and improvement in the quality of life of the rural population, sufficient job opportunities and adequate incomes by means of economic activities in the field of agriculture, forestry, processing industry, traditional crafts, services and tourism, creation of an appropriate social climate, protection and creation of a healthy environment.
- Sustaining the natural potential of the country
- Stabilisation of ownership structures in agriculture and forestry and development of a market in land. The reason is an extreme fragmentation of land in Slovakia what is the result of the following historical facts:
 - Land register started to be built based on the localization regulations from years 1853–1855, which were later substituted by the Ministry regulation No. 222 as of 15. 12. 1855. It was with amendments valid until 1964. The land register fulfilled constitutional function until 1.1. 1951, i.e. the titles (rights) to the real estate (including lands) were constituted by their registering in a land register. However, registered status did not correspond to a legal (real) status because the land register did not have adequate tools for assuring this correspondence. This discrepancy continued to be deeper and deeper.
 - Principles of the Ugrian inheritance law and the backwardness of the Ugrian land consolidation model had a particular significance. The extreme fragmentation concerned both, the size of lands (which were divided by the inheritance) and in the spatial diversion of the lands of the same owner, accompanied with ineffective land shape, inaccessibility... The consequence is 12.5 million plots in Slovakia, from which 9.6 is in extravilan. The average land acreage is 0.45 ha with average number of 12-15 co-owners per land (plot). 100 co-owners per plot are quite common.
 - Rate of the discrepancy between legal and real status has deepened after 1945 on the basis of large property changes and abandoning the intabulation principle, i.e. registering in a land register. There was no update of land register any more, although the legal basis was formally cancelled only in 1964.

With this approach the Operational Programme as one key element shall contribute to the overall strategy towards rural areas and the rural community in Slovakia. In particular the Programme shall contribute to sustainable, economically and socially balanced development of the rural areas and the rural community as a whole. Therefore it has to be seen as a coherent part the overall strategy for structural policy in the framework of the Community Support Framework (CSF).

In this context major attention has to be given to the maintenance and creation of competitive jobs in the rural areas. Therefore the Operational Programme in one part is focused on investments in the farming sector (including the diversification of farm activities), as well as in the processing and marketing sector, the fisheries and the forestry sector. These investments in the rural economy will not only create sustainable and competitive jobs, they also will significantly contribute to the improvement of rural environment, the improvement of the animal welfare and the food safety.

As a pre-condition for investments in the rural economy two major obstacles, which had already been named in the SWOT analysis, need to be tackled urgently: the problem of land ownership and

improvements in the field of professional skills. Therefore specific attention within the Programme will be paid to activities in the area of land consolidation and training.

As already outlined the Programme has to be seen as a coherent part of the general strategic approach which had been laid down in the Community Support Framework. In this context it is closely linked to other Operational Programmes within the same framework, namely the OP Basic Infrastructure (especially with the priority local infrastructure) and the OP Industry and Services (e.g. tourism activities). For the benefit of the rural areas and in order to reach the overall strategic objectives the implementation of the rural parts of all Programmes has to be done in close cooperation of all participants.

5.1. Principles of the Programme strategy:

Pursuant to Council Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds, the strategy respects the basic principles of the overall EU policy:

- Sustainable development – conservation and renewal of natural resources, cultural character and ecological stability of the country and increasing people's environmental awareness and their involvement in the decision-making process,
- Equal opportunities – equal opportunities for men and women are respected in the individual measures,
- Long-term effect – evaluation of efficiency of the funds spent over a long-term period,
- Partnership – principle applied in the creation and implementation of SOP,
- Internationalisation – support for the entry of foreign investors,
- Information society – support of interconnection and information spread in individual directions.

5.2. Execution of the Programme

For a successful execution of SOP strategy, the Ministry of Agriculture SR will ensure the following:

- Sufficient national resources for co-financing of projects,
- Coordination of the involved entities with the aim of fulfilling expected outputs, results and effects relating to SOP objectives,
- Quality control system that will eliminate cases of the uneconomic use of financial resources,
- Information spread of the public as well as potential applicants of the possibilities for support from EU structural funds.

5.3. Objectives:

With point of departure in the SWOT analysis, the following objectives of the Agriculture and Rural Development SOP have been defined:

Overall objective of the SOP in connection to the NDP would be to enhance *multifunctional agriculture and sustainable rural development*, whereas the **specific** (strategic) objectives of the SOP are:

1. *To increase efficiency of agricultural production while adhering to environmental protection and animal welfare, to improve the processing structure of agricultural and fish products, to ensure food quality;*

2. *To improve the quality of life of the rural population through a growth in standards of living, to create an suitable social environment and to develop countryside activities;*
3. *To improve the current situation of land fragmentation;*
4. *To increase the absorption capacity through vocational training.*

The quantified targets relating to the different measures are described in the Programme Complement.

6. PRIORITIES AND MEASURES OF THE PROGRAMME

In order to be able to address and solve some of the weaknesses defined in the SWOT analyses, the SOP will be defined by two priorities, one relating to the “support of productive agriculture” and one connected with “support of sustainable rural development”. In terms of achieving the defined objectives, 7 measures and within them 6 sub-measures will be implemented. The selected measures and sub-measures are outlined in the table below.

Priority 1 – Support of productive agriculture	
Measures	
Measure 1.1	Investment in agricultural holdings
Measure 1.2	Improving the processing and marketing of agricultural products
Priority 2 – Support of sustainable rural development	
Measure 2.1	Sustainable forest management and forestry development
Sub Measure 2.1.1	<i>Public welfare investments (non-profit investments)</i>
Sub Measure 2.1.2	<i>Investments for the improvement and rationalization of silviculture and forest protection, harvesting, primary wood processing and marketing of wood and no-wood products (profitable investments).</i>
Measure 2.2	Fisheries (co-financed via FIG)
Sub Measure 2.2.1	<i>Fish processing and promotion of fishery products</i>
Sub Measure 2.2.2	<i>Aquaculture</i>
Measure 2.3	Promoting the adaptation and development of rural areas
Sub Measure 2.3.1	<i>Land consolidation</i>
Sub Measure 2.3.2	<i>Diversification of agricultural activities</i>
Measure 2.4	Training
Measure 2.5	Technical Assistance

The disparities described in the chapter concerning the current situation in agriculture and rural development *cannot* all be approached by the selected measures under the SOP. In order to address as

many disparities as possible, the measures under the SOP will be closely related to the measures implemented under EAGGF Guarantee fund in the rural development plan (RDP). The following **horizontal** measures will be implemented under the RDP:

- Less Favoured Areas
- Meeting EU standards
- Agri-Environment
- Afforestation of agricultural land
- Producer group
- Semi-subsistence farms
- Technical assistance

For further information about the link between the SOP and RDP, please see chapter 15.

6. 1. Summary description and orientation of the priorities and individual measures:

The two priorities of the SOP Agriculture and Rural Development are based on the priority of the National Development Plan of the SR, which is “agriculture and rural development” and are oriented on the development of agriculture, forestry, land consolidation and rural development. This NDP priority is co-financed from the EU structural funds – EAGGF Guidance and FIFG and is in accordance with strategy of human resources development and social policy of the EU and respects gender equality.

Orientation of priorities and measures of the SOP:

In the field of agriculture this concerns in particular the ensuring of greater competitiveness and adaptation to conditions of the European market, increasing labour productivity, increasing added value and quality of agricultural products and thus also increasing income in agriculture. The creation of new jobs and growth of income in agriculture may positively influence the unfavourable state in the countryside. Similarly, the deepening of diversification of agricultural activities and certain advantages provided to young start-up farmers will positively influence the creation of new jobs and thus an improvement in the situation in the countryside.

A very important element is the reduction and removal of negative influences on the environment, protection of water and soil against pollution from agricultural sources.

Investment in the framework of the priority 1 will be used for reconstruction, modernisation and construction of new agricultural buildings so that they correspond to EU standards for animal welfare. Technologies and machinery in agriculture and forestry are obsolete, it is important to support farmers in this field.

For reason of complying with EU hygiene standards and with regard to an environmentally-friendly approach, investments in reconstruction of storage capacities in vegetal production and construction and reconstruction of facilities for storing by-products of livestock production are important.

The investments count on an improvement in the processing of agricultural products (including IPPC), in particular for the modernisation and reconstruction of production facilities, creation of new technologies and for the support of agricultural product marketing.

Forests cover more than 40% of the overall territory of the SR and represent a large potential of multifunctional use. Forestry has a good level of planning and management with a long history. For further development of this operation, investments should contribute to new technological procedures for processing forest products and their marketing.

The support and improvement of the processing and marketing of fish products, development of aquaculture and fishery is covered by a measure with sub-measures that contribute to an increased competitiveness of fishery as well as to its multifunctional nature.

The main purpose of re-parcelling is to arrange the ownership rights in respect of lands, and spatial and functional adjustments of land, with an expectation of the development of a market in land and investment in land.

Diversification of agricultural activities and activities relating to agriculture is, in the framework of SOP, understood as another source of income and creation of new jobs.

Vocational training has the objective of providing subjects operating in agriculture access to the necessary knowledge and information and thus to support their business.

Technical assistance has the objective of performing the efficient management, monitoring, evaluation and promotion of SOP. In the framework of technical assistance, there will be realised meetings and activity of Monitoring Committee and of its groups, expert studies and seminars, informational events.

6.2. Quantified targets of the Programme priorities

Input	Output	Result	Impact
<p>Total amount of financial resources:</p> <ul style="list-style-type: none"> - in SKK - in EUR <p>of which:</p> <ul style="list-style-type: none"> - Eligible investments - EC resources 	<p>% of approved projects submitted by women from total no. of approved applications: 5 %</p> <p>% of supported young farmers from total no. of approved applications: 5% (in measure 1)</p> <p>Number of projects aimed at green investments.</p>	<p>Result of the operations for the accounting period in supported holdings in 80% of assisted farms achieve above average in agricultural sector of SR.</p> <p>Increased number of certified bio-products producers</p> <p>Increased labour productivity from added value per 1 employee</p> <p>Fish farms increase output by 10%.</p> <p>The assisted plants will increase the utilisation of existing production capacities.</p> <p>Area of afforested land: 500 ha</p>	<p>1000 new jobs created in new rural businesses.</p> <p>Change in amount of investment in agricultural sector (%): 10%</p> <p>70 projects of new rural tourism businesses</p> <p>Decrease of extreme fragmentation rate of land ownership per owner: 20%</p>

7. PRIORITIES AND MEASURES OF THE PROGRAMME

Priority 1 – Support of productive agriculture

7.1 Measure 1.1 INVESTMENT IN AGRICULTURAL HOLDINGS

Accord: Chapter I, Articles 4, 5, 6, 7 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

- 11 Agriculture
- 111 Investments in agricultural holdings

Rationale:

On the basis of the Analysis of Development and Current State of Agriculture in the SR it may be stated that impacts of the economy transformation were stronger on agriculture than on other branches of the national economy.

In livestock production there persist shortcomings in animal nutrition, feeding machinery and animal treatment, which causes their under-utilisation of their utility and reproduction abilities. In the case of most of livestock holdings in the 1990's there was a period characterised by a decline in their number, at present however these numbers are stabilising and increasing slightly.

The number of buildings for stabling livestock has a permanent declining trend, in particular in the case of bovine cattle. Many stabling buildings do not fulfil conditions of environmental protection and animal welfare.

Buildings and constructions

A significant decline in storage and processing capacities has occurred. A marked decline was recorded in the case of number of handling warehouses for primary post-harvest processing of fruit and vegetables and buildings closely related to the production of animal produce. In many cases working conditions are unsuitable.

Equipment and machinery

Tendencies of the development of the technical base of agriculture are significantly marked by obsolescence of overall state of technical equipment, as a consequence of the very slow pace of their replacement and restoration. Most of machines and equipment is technically obsolete as well as physically worn out. The overall wear of machinery in vegetal production exceeds 70% and the average age of machines is nearly 11 years. From the aspect of increasing the profitability of production as well as environmental protection an appropriate average machinery replacement rate is necessary.

In case that Roma have achieved ownership to lands in Roma settlements according to the point C. 16 of the Government decree No. 278/2003 and will become entrepreneurs in agriculture, they will automatically become potential recipients.

Overall objective:

To increase labour productivity and competitiveness of enterprises while maintaining environmental protection.

Specific objectives:

- To reduce production costs and improve working conditions on farms,
- To increase the competitiveness of agricultural production,
- To introduce new environmentally-friendly technologies,
- To increase the level of hygiene conditions and animal welfare.

Activities:

- Construction, reconstruction and modernisation of production and repair facilities,
- Modernisation and acquisition of technical and technological equipment,
- Construction, reconstruction and modernization of storage capacities for manure, liquid manure, artificial fertilizers and pesticides,
- Modernisation and acquisition of equipment in the animal feedstuff production,
- Modernisation and acquisition of technological equipment for storing and processing manure, liquid manure, artificial fertilizers and pesticides,
- Acquisition of machines and equipment for spreading and application of manure, liquid manure artificial fertilizers and pesticides,
- Acquisition of machines, facilities and technologies for activities in plant production,
- Construction, reconstruction and modernization of facilities for utilization of excess biomass and use of alternative energy sources for own consumption on the holding
- Diversification of agricultural activities or services.

The following are also included into the activities:

- General expenses such as charges of architects, project engineers and consultation fees, feasibility studies, acquisition of patents and licences, up to the amount of 12% of eligible costs.

Primary eligible sectors:Plant production:

Cereals, oil seeds, fodder crops, fruit, vegetables, potatoes, vineyard, medical herbs, spice crops, leguminous plants and sugar beet.

Animal production:

Cattle, pig, sheep, goat, poultry, rabbits, horses, bees.

The holding:

- Must comply with minimum standards prior to investment. In accordance with Article 1 of Regulation (EC) No 445/2002 as amended a period of grace is allowed in order to meet newly introduced minimum standards. They must be met at the end of investment period, which shall be within the end of the period of grace.
- Viability of the holding has to be demonstrated when the application has been submitted with the exception of projects to be implemented by one payment only. In such cases the viability of the holding can be demonstrated when the investment has been realised.
- The farmer has to possess adequate occupational skills and competence.

Slovakia requests exception under Article 37(3) of EC Regulation 1257/1999. In this context if an investment is on individual holding level, notwithstanding the holding is member of a producer organisation, and this investment is developed, decided, financed and managed by the farmer himself, the investment will be supported through this measure.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

Minimum standards regarding environment, hygiene and animal welfare will be respected and details will be provided in the Programme Complement.

Criteria for assessment of the existence of normal market outlets – all applicants will be required to submit at least preliminary contracts or other evidence ensuring their production will be sold on the market.

7.2 Measure 1.2 IMPROVING PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS

Accord: Chapter VII, Articles 25, 26, 27, 28 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

- 11 Agriculture
- 114 Improvement of processing and marketing of agricultural products

Rationale:

In processing agricultural products the largest problems include in particular the obsolete, physically and technically worn-out technology of raw material processing, low labour productivity, hygiene and sanitation and lack of financial resources. In connection to these, investment is necessary in particular in purchases, or renewal of technological facilities and for the overall modernisation of operating units (despite the fact that already several of these correspond to basic EU regulations) for achieving a higher quality of their production, achieving and sustaining competitiveness and meeting market requirements. In the case of many operating units it is necessary to complete the hygiene circles. A large shortcoming is the field of environmental protection mainly in waste water treatment and waste disposal. The marketing of processed products and information systems for marketing of products also requires improvement.

Overall objective:

To increase the competitiveness and quality of products including organic products while reducing adverse impacts on the environment.

Specific objectives:

- To reduce production costs and improve working conditions,
- To increase product quality,
- To implement new environmentally-friendly technologies,
- To increase the level of hygiene conditions and animal welfare,
- To reduce adverse impacts on the environment.

Activities:

- Modernisation and reconstruction of production facilities,
- Construction and acquisition of immovable property,
- Acquisition of new technologies, including computer programs,
- Improvement in product quality and its monitoring,
- Improvement in healthcare conditions and their monitoring,
- Improvement in working conditions,
- Reconstruction and improvement of hygiene-sanitary regimes,
- Reconstruction and construction of technologies for environmental protection (waste and waste water treatment, etc.),
- Preparation of marketing plans,
- Improvement of the presentation and the preparation of products or encouragement of the better use or elimination of by-products or waste.

The following are also included into the activities:

- General expenses such as charges of architects, project engineers and consultation fees, feasibility studies, acquisition of patents and licences, up to the amount of 12% of eligible costs.

Investments concern only products covered by Annex I to the Treaty except fishery products and support is excluded for investment in the processing and marketing of products from third countries;

Processing company:

- Must comply with minimum standards prior to investment. In accordance with Article 28 of Regulation (EC) No 445/2002 as amended a period of grace is allowed in case of small processing companies in order to meet newly introduced minimum standards. They must be met at the end of investment period, which shall be within the end of the period of grace.
- Must be economically viable prior to investment.

In order to ensure consistency with measures implemented under the common market organisations Slovakia requests exception under Article 37(3) of EC Regulation 1257/1999. In this context, as the case may be, the investments which at the same time fall under the scope of support schemes under common market organisations shall be eligible for support under this measure, however, provided the general eligibility criterion of only one source of financing is complied with.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

Minimum standards regarding environment, hygiene and animal welfare will be respected and details will be provided in the Programme Complement.

Criteria for assessment of the existence of normal market outlets – all applicants will be required to submit at least preliminary contracts or other evidence ensuring their production will be sold on the market.

Priority 2 – Support of sustainable rural development

7.3 Measure 2.1 SUSTAINABLE FOREST MANAGEMENT AND FORESTRY DEVELOPMENT

Accord: Chapter VIII, Article 30 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

12 Forestry

Rationale:

The forests play a very important role in protection and preservation of ecological stability. They protect soil against erosion and they are a source of drinking water, wood as a renewable raw material and food. Forests are also a home for abundant flora and fauna.

The forests are also a part of rural area and they significantly influence its development. The forestry measures contribute to the ecological, economic and social potential development of rural areas. They support the balance between production and non-production functions of forests.

The results and standard of forestry management influence a wide range of other branches of industry and it also increases the potential of countryside. The forestry management can also contribute to the development of employment policy in rural areas including employment for the Roma community members. This measure will thus extend the possibilities for the Roma people to find a job.

Adjustment of forestry sector to the new conditions requires a suitable investment support in order to improve its competitiveness. This support will offer economic incentives for weaker businesses, which are not able to cover the costs for non-production functions of forests and/or will offer good opportunities for the development of stronger entities.

The support will be an instrument for revitalization of forests affected by emissions, biotic and abiotic agents.

7.3.1 Sub-measure 2.1. 1. Investments for the improvement and rationalization of silviculture and forest protection, harvesting, primary wood processing and marketing of wood and no-wood products (profitable investments).

Accord: Chapter VIII, Article 30 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

12 Forestry management
121 Investments to the forests

Overall objective:

To rationalize the selected forestry activities and to improve the competitiveness of forestry management through the innovation of forestry techniques (machinery and equipment).

Specific objectives:

The specific objectives are investments to purchase of forestry machinery, equipment and technologies in order to improve and rationalise silviculture and forest protection, harvesting and primary wood processing, harvesting other forest production, ensure marketing of forest production and development

of industry which utilizes forest products. The next specific objective is the development of information systems in forestry through the introduction of computing information technology at the different levels of forestry operations.

Activities:

- Purchase of machines and equipments for production of the forest reproduction material in forest nurseries and construction and reconstruction of facilities in forest nurseries (Article 30(1), third indent),
- Purchase of machines and equipments for forestation, silviculture, maintenance of young stands, skidding, transport and loading of wood, harvesting of wood and non-wood products, primary wood processing which shall be limited to all working operations prior industrial processing, forest protection including forest fire protection, which shall be limited to special equipment, construction and reconstruction of forest roads (Article 30(1), third indent),
- Purchase of computing technology (PC + accessories) and other electronic equipment for measurement and registration of the wood with aim to improve its marketing and development of information network (Article 30(1), third indent).

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

7.3.2 Sub-measure 2.1.2 Public welfare investments (non-profit investments)

Accord: Chapter VIII, Article 30 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

12 Forestry management
121 Investments into the forests

Overall objective:

The strengthening of public welfare functions of forests, preservation and improvement of ecological stability of forests and increase of their economic, ecological and social value and the production potential restoration.

Specific objectives:

- To preserve and improve forests and strengthen the ecological stability of forests,
- To improve the public welfare functions of forests,
- To offer/maintain employment opportunities in rural areas,
- Better utilization of forest production functions,
- To support the forestry measures in those forests where the costs of their maintenance and improvement exceed the income from forestry management,
- To restore the production potential of forests in areas affected by natural disasters, biotic and abiotic agents and fires,
- To increase the interest of forest owners in forests as a sustainable source of wood and non-wood products,
- To decrease the risk of soil erosion and increase the absorption potential of drinking water in forests,
- To improve accessibility of forests for the modern and ecological technology, increase forests protection against forest fires and ensure controlled use of forests by public.

Activities:

- Afforestation with assumption that, such planting is adapted to local conditions and is compatible with the environment in accordance with Article 30(1), first indent; it concerns the afforestation of land not eligible under Article 31. Afforestation has to be performed in accordance with Forest Management Plans that are approved by Forest State Service and the afforestation is consistent with forest typology,
- Silvicultural measures (including afforestation and its maintenance) will be aimed to the young stands in order to preserve and improve ecological stability of forests (in accordance with Article 30 (1), second indent),
- Other measures in order to improve the ecological stability of forests and their protection, where the costs exceed the income from forestry management (in accordance with Article 30 (1), second indent),
- Preventive and protective activities in forests damaged by natural disasters and fire (Article 30(1), last indent),
- Construction and reconstruction of forest roads (Article 30 (1), second indent), it does not concern ordinary maintenance of forest roads (forest road network is mostly an instrument for wood and other forest products transportation, however the forest road network plays a very important role in forest fire protection, etc. In accordance with the valid Slovak Technical Standards (STN) the forest roads include forest transport roads, forest skidding roads, other forest roads built up within technological preparation of harvesting and wood transport, this sub-measure will be mainly

aimed to improve the forest road network for forest fire protection. The sub-measure does not concern the public roads; forest road network is used only for forest management, the sub-measure concerns construction of new forest roads and repair of existing forest road network.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement.

7.4 Measure 2.2 FISHERY (co-financed via FIG)

Accord: measure is in accordance with Council Regulation (EC) No. 1263/1999 and implementing regulations.

Categorisation of intervention field:

14 Fisheries

7.4.1 Sub-measure 2.2.1 Processing and Promotion of fishery products**Categorisation of intervention field:**

14 Fisheries

143 Processing, marketing and promoting of fishery products

Rationale:

In the field of processing of fresh water fish there are 5 processing companies in Slovakia. The average annual volume of processed domestic production is at 500 tonnes. Only one of these companies complies with EU standards. In the case of not fulfilling the requirement of compliance with the EU standards, some of them will be either forced to terminate their activity after the SR has accessed into the EU or reconstruct existing processing capacities. In the near future, interest can be expected from some smaller or new fish farmers to build their own processing capacities mainly oriented at regional market.

In addition to the mentioned processing capacities orientated on fresh water fish processing there are 16 companies where imported sea fish are processed. The average annual volume of sea fish processing is approx. 15 000 tonnes. Neither of the sea fish processing companies complies with the EU standards.

In Slovakia, fish consumption is in the long term very low. The average annual consumption per capita does not exceed 4 kg (thereof 1 kg of fresh water fish), which is the result of bad eating habits of population and absentioning promotion of fishery products. It is necessary to promote fresh water fish consumption and find new distribution channels by suitable marketing activities.

Overall objective:

To increase of competitiveness and quality of products while reducing adverse impacts on environment

Specific objectives:

- To reduce production costs and improve working conditions,
- To increase product quality,
- To increase the level of hygiene conditions,
- To reduce adverse impacts on environment.

Activities:

- Modernisation and reconstruction of existing production facilities,
- Construction of new production facilities,
- Acquisition of new technologies, including computer programs,
- Acquisition and implementation of technologies and methods for improvement in product quality,

- Improvement in working conditions,
- Reconstruction and improvement of hygiene-sanitary regimes,
- Reconstruction and construction of technologies for environmental protection (waste and waste water treatment, etc.),
- Preparation of marketing plans and improvement of selling conditions.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 2792/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 2792/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

7.4.2 Sub-measure 2.2.2 Aquaculture**Categorisation of intervention field:**

- 14 Fisheries
- 144 Aquaculture

Rationale:

Fish rearing facilities are in terms of their utility parameters comparable with those abroad, though have a high rate of obsolescence and low level of mechanisation. The causes for the low production of freshwater lowland fish in general as well as per hectare of the area lie in the bad technical state of fish ponds (as a consequence of lack of funds and expense re-cultivation, removal of mud from fishing grounds, repairs and maintenance of inflow, outflow and dam systems are neglected). Revitalisation of fish-farming facilities will support the multifunctional usage of water areas, positively affecting the landscape and environment.

Overall objective:

To increase competitiveness of fish-farming facilities and quality of produced marketable fish while adhering to the environmental protection

Specific objectives:

- To reduce production costs and to increase labour productivity,
- To implement new environmentally-friendly technologies,
- To maintain specific genetic qualities of farmed local lines and original fish populations,
- To expand the fish farming in freshwater aquaculture,
- To create new jobs.

Activities:

- Modernisation, reconstruction and extension of fish-farming facilities (e.g. ponds, basins, reservoirs, flumes, cages etc.) and holding ponds (small basins intended primarily for storage of fish in the time between the catch and placing on the market and secondly for the reproduction of fish mainly wels catfish and pikeperch),
- Construction of new fish-farming facilities and holding ponds,
- Acquisition of new technologies, including computer programs,
- Acquisition and implementation of technologies and methods for improvement in rearing quality,
- Improvement in healthcare conditions and their monitoring,
- Ensuring the breeding activity in fishery,
- Maintenance of fish gene sources.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 2792/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 2792/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

7.5 Measure 2.3 PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS

Accord: Chapter IX, Article 33 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

13 Promoting the adaptation and development of rural areas

7.5.1 Sub-measure 2.3.1 Land consolidation

Accord: Chapter IX, Article 33, indent 2 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

13 Promoting the adaptation and development of rural areas
1302 Re-parcelling

Rationale:

In the framework of the societal and economic transformation, the Slovak Republic must tackle several problems relating to lands and legal relationships in respect of them, in particular in the countryside where it is necessary to solve ownership relationships in respect of land, to reduce the number of parcels and increase their average acreage, make the land market and agriculture more dynamic, and create an ecologically stable landscape capable of further development.

Through arranging the registration of lands and legal relationships in respect of them there is created the essential prerequisite for realisation of re-parcelling projects. It is necessary to carry out the re-parcelling mainly for the following reasons:

- Extreme fragmentation of ownership of lands (for historical reasons), where on average there are 15 owners for one parcel of an average acreage of 0.45 ha, and co-ownership shares in most cases are less than 1 m².
- Underdeveloped market with land (purchase, lease) precisely for the reasons stated in the previous indent.
- Problem with creating equal conditions for agro-business, businesses of various sizes.
- Insufficient infrastructure in agriculture (need to create access communications, anti-erosion protection, ecological measures).
- Stabilisation of rural population and the quality of life development.

Overall objective:

To prepare and implement projects of re-parcelling for a new spatial and functional settlement of the territory.

Specific objectives:

- To settle ownership rights in respect of lands,
- To ensure access to lands,
- To create conditions for the rational management and development of a market in land,
- To increase the ecological stability of the country,
- To improve the conditions of the environment by using MUSES (Local Area System of Ecological Stability), which is an obligatory part of each land consolidation project in accordance with the Act No. 330/1991 Coll.

Activities:

- Preparation of introductory basic documents that include a register of the original status, general principles of the functional settlement of territory, land appraisal, land surveying in the area of re-parcelling,
- Preparation of re-parcelling projects, the content of which is a plan of public and common facilities, a parcelling plan in the form of a positioning and identification plan and local territorial system of ecological stability,
- Realisation of the re-parcelling project (identification of parcelling plan, drawing up geometrical plans and reflection of new ownership relations in the real estate register),
- Making lands accessible through the construction of a country lane network consisting of project documentation elaboration and construction on-site,
- Realisation of planned common facilities and measures proposed in re-parcelling projects consisting of project documentation elaboration and construction on-site
- Creation of a possibility for a consequent settlement of ownership and disposal relations to the plots inhabited by Roma communities in municipalities.

Each land consolidation project must contain MUSES (local area system of ecological stability) and necessary ecological and anti-erosion measures in accordance with Act No. 330/1991 Coll.

The land consolidation measure will provide a substantial contribution to improve the current situation of extreme land defragmentation. Only a long-term approach, exceeding the programming period, can solve this problem. Before the 1st March 2005 the Monitoring Committee will assess the progress and effectiveness of the measures. Following this the Monitoring Committee will decide if a strengthening of the measure „Land consolidation“ which is essential for establishing a proper framework for the development of the rural areas, is required

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement.

7.5.2 Sub-measure 2.3.2 Diversification of agricultural activities

Accord: Chapter IX, Article 33, indent 7 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

- 13 Promoting the adaptation and development of rural areas
- 1307 Diversification of agricultural activities and activities close to agriculture, to provide multiple activities or alternative incomes

Rationale:

Diversification of agricultural and related activities represents in the framework of the regional economy an important source of new job opportunities based on local natural, material and human resources and creation of additional incomes for both the rural population and agricultural business entities. Development and conservation of rate of employment is one of the conditions for sustaining the rate of settlement in the countryside. By means of the creation of new job opportunities a space will be created as well for the solution of long-term Roma unemployment. Diversification forms an important component of the policy of sustainable rural development. Agriculture and forestry do not in present period create a sufficient number of job opportunities in the countryside, where since 1989 there has been a significant reduction in the number of employees and a further reduction is expected. Also the level of incomes in agriculture and forestry is significantly lower than in the national economy.

Diversification of agricultural and related activities as a component of diversification of the whole rural economy is therefore a key moment for improving the social conditions of the population, their stabilisation in the rural area and through an increased number of visitors to rural areas also for the development of other fields of the rural economy.

Overall objective:

To improve economic opportunities and social conditions of the rural population and thus ensure their stabilisation in the rural area.

Specific objectives:

- To increase alternative income sources,
- To create new jobs,
- To create recreational capacities in the countryside,
- To improve the level of services provided,
- To create offers for spending free time in the country in connection with active leisure (agri-tourism).

Activities:

- Construction, reconstruction and modernisation of recreational and accommodation facilities,
- Reconstruction of existing agricultural and forestry facilities (that have lost their original purpose) for agri-tourism premises,
- Construction, reconstruction and modernisation of production and sales facilities and purchase of machines, devices and equipment for supplementary production, production and processing of traditional materials and products (e.g. weaving of flax linen and consequent making of national (folk) costumes, tanning skins/leather, making fur-coats etc.). Construction, reconstruction and modernisation of sales places mean establishing and operating of small sales places located directly on farms or places available for region visitors, where the recipient will be allowed to sell his/her products made under this measure. The products have to be of non-agricultural character (e.g. folk-art products – carved wooden jars, national folk costumes, fur coats, ceramics etc.).

- Construction, reconstruction and modernisation of agri-tourism facilities, including hygiene, ecological and rehabilitation premises serving for the development of tourism activities,
- Construction, reconstruction and modernisation of places suitable for the development of recreational and relaxation activities (tourist paths, horse-back riding, fishing, hunting, rafting, cyclo-tourism, water sports, winter sports etc.).

Only activities falling outside the scope of the Chapters I to VIII of the Council Regulation (EC) 1257/1999 shall be supported within this sub-measure. Production, processing and marketing of products listed in Annex I to the Treaty on EC are not eligible under this sub-measure.

Non-overlapping of supports in the field of tourism between EAGGF and ERDF is ensured through the different types of final recipients.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables and information on the state aid scheme will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement. The Programme Complement will include also information how economic viability will be assessed.

7.6 Measure 2.4 TRAINING

Accord: Chapter III, Article 9 of Council Regulation (EC) No 1257/1999.

Categorisation of intervention field:

- 11 Agriculture
- 113 Agriculture-specific vocational training
- 12 Forestry
- 128 Forestry-specific vocational training

Rationale:

The development of human resources in the rural areas including Roma population is a basic prerequisite for sustaining the settlement and creating new jobs for permanently sustainable rural development. Unemployment in Slovakia has a marked ethnic dimension, which is reflected in extremely high unemployment of Roma community. According to the statistical data the unemployment rate of the Roma people oscillated at the level of 73 % (while the employment rate accounted for 14,3 %). Low levels of education of Roma children and adults, low levels of qualification and employability of Roma people, their high level of unemployment and its expressive regional allocation and high level of dependency on the social system network belong to the basic determinants of social exclusion. Disadvantageous position of Roma people on the labour market is hindered by the hidden discrimination and prejudice from the side of employers.

While the employability of these persons in general is supported through the Sectoral operational programme “Human resources” implemented by the measures of active policy of labour market, especially through promoting the development of their individual abilities, knowledge and motivation in order to remove handicaps hindering their access to the education and employment, the training within the SOP “Agriculture and rural development” is in compliance with the relevant EU legislation limited to professional training for persons including Roma people engaged in agricultural and forestry primary production, or primary processing in both sectors.

The development and specialisation of agriculture and forestry as well require an appropriate level of general technical and economic education of persons operating in agro-food production and forestry sectors, and this particularly in the field of new approaches in management, production and marketing. At the same time it is necessary to develop special efforts in the field of their education and information on environment-friendly agricultural and forestry methods. Education and training sessions will sustain and increase the quality of business entities, the vitality of rural areas and support the development of municipalities. The support of rural development through training sessions will make it possible for users to participate in as well as contribute to the development of their own regions, it will help solve shortcomings and increase the quality of life. This measure will support the realisation of other measures.

Increasing the capacity of the Slovak Republic to participate in the EU support programmes requires the improvement in current abilities and the acquisition of new ones.

Overall objective:

To increase the level of vocational training and provide entities engaged in agriculture and forestry with the necessary knowledge.

Specific objectives:

- To increase the level of information spread and educational level of final recipients of supports,
- To introduce new methods in agricultural, processing and forestry enterprises,
- To maintain existing and create new jobs,
- To improve environmental protection.

Activities:

- Implementation of training activities (courses, seminars, workshops, etc.) with the exception of courses of instruction or training which form part of normal programmes or systems of agricultural and forestry education at secondary or higher levels (Article 6 of Regulation 445/2002).
 - Training activity must be aimed at:
 - Measures of the Programme,
 - New technologies in agricultural and forestry production (BAT),
 - Economy of a business entity, management, financial accountancy,
 - Environmental protection, ecology and environmentally protective agriculture and forestry,
 - Compliance of agricultural production with environmentally standards,
 - Alternative business activity in rural areas,
 - Cooperation and development of enterprises,
 - Information technologies.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

Maximum aid intensities and/or amounts as defined in Regulation (EC) 1257/1999 will be respected and details will be provided in the Programme Complement.

7.7 Measure 2.5 TECHNICAL ASSISTANCE

Accord: rule no. 11, points 2 and 3 of Commission Regulation (EC) No. 1685/2000.

Rationale:

An essential and crucial component of the programme is its management, implementation, monitoring and evaluation. Technical assistance serves for the fulfilment of activities being in accordance with the respective legislation.

Overall objective:

To ensure the management, implementation, monitoring and evaluation of the programme

Specific objectives:

- Support the monitoring of the programme
- Insure an adequate information and publicity about the programme
- Support studies, visits and seminars
- Provide support for external expertise
- Provide support for evaluation of the support

Activities:

According to the Regulation No. 1685/2000, rule 11, point 2:

- Costs for the preparation, selection, and evaluation of the support and activities,
- Expenditures on monitoring Committee and sub-committees, including costs for experts and other participants of these committees, if their presence is necessary for effective work of the monitoring committee, preparation, hire of rooms, supply of materials, limited costs of participation by non-governmental members of Committee, interpretation services,
- Costs for audits and on the spot checks on operations (staff costs and other expenses e.g. travelling and per-diem allowances),
- Costs for personnel resources (contracted personnel – not state employers),
- Civil servant salaries – must be seconded by duly documented decision of the competent authority to carry out tasks.

According to the Regulation No. 1685/2000, rule 11, point 3:

- Establishment of ITMS – both hardware and software,
- Expenditure for experts,
- Engagement of information and publicity experts,
- Expert assistance to consider and review programme baselines and indicators,
- Costs for studies, analyses, concepts of development,
- Expenditures for information and publicity campaigns, including costs of printing and distribution, informational events and seminars, training costs, brochures, publishing OP,
- Costs for translation and interpretation provided in response to request by the Commission.

Detailed conditions for implementation of the measure including maximum aid intensities and amounts as defined in EC Regulation 1257/1999 and the Accession Treaty, types of final recipient, financial tables will be defined in the Programme Complement.

8. FINANCIAL PLAN

Financial Table of Sectoral Operational Programme - Agriculture and Rural Development

(Current prices in EUR)

Priority / year	Total public expenditures	Public expenditure							Private expenditure	Cohesion fund	Other financial instruments	Advances from EIB
		Community contribution		National contribution								
		EAGGF	FIFG	Total	Central (State budget)	Regional	Local (municipalities)	Other				
Priority 1	2004	42 433 246	29 703 272		12 729 974	12 729 974				42 433 246		
	2005	60 854 736	42 598 315		18 256 421	18 256 421				60 854 736		
	2006	81 922 767	57 345 937		24 576 830	24 576 830				81 922 767		
Priority 2	2004	15 348 540	11 145 491	427 652	3 775 397	3 775 397				6 665 677		
	2005	21 684 974	15 737 933	610 591	5 336 450	5 336 450				9 444 798		
	2006	27 970 174	20 294 632	790 822	6 884 720	6 884 720				12 199 464		
Technical assistance	2004	1 995 004	1 496 253		498 751	498 751						
	2005	2 853 933	2 140 449		713 484	713 484						
	2006	928 853	696 640		232 213	232 213						
Total	255 992 227	181 158 922	1 829 065	73 004 240	73 004 240	0	0	0	213 520 688	0	0	0

(pursuant to Commission Decision of May 5, 2006 on approval of the modifications and amendments of the Sectoral Operational Programme Agriculture and Rural Development 2004 – 2006 for Slovak Republic and amending and repealing Commission Decision C(2004) 2791)

Financial summary: 2004 – 2006

Year	Total public expenditures	Total EAGGF + FIFG	Public expenditures			Private expenditures
			EAGGF	FIFG	State budget SR	
2004 - 2006	255 992 227	182 987 987	181 158 922	1 829 065	73 004 240	213 520 688

Financial table, breakdown by years:

Year	Total public expenditures	Total EAGGF + FIFG	Public expenditures			Private expenditures
			EAGGF	FIFG	State budget SR	
2 004	59 776 790	42 772 668	42 345 016	427 652	17 004 122	49 098 923
2 005	85 393 643	61 087 288	60 476 697	610 591	24 306 355	70 299 534
2 006	110 821 794	79 128 031	78 337 209	790 822	31 693 763	94 122 231
2004 - 2006	255 992 227	182 987 987	181 158 922	1 829 065	73 004 240	213 520 688

(pursuant to Commission Decision of May 5, 2006 on approval of the modifications and amendments of the Sectoral Operational Programme Agriculture and Rural Development 2004 – 2006 for Slovak Republic and amending and repealing Commission Decision C(2004) 2791)

9. RESPONSIBLE AUTHORITIES

Managing Authority - SOP Agriculture and Rural Development

Ministry of Agriculture of the Slovak Republic

Department of Structural Policy

Contact address:

Dobrovičova 12

812 66 Bratislava

Phone: ++421 2 59266 509

Fax: ++421 2 59266 499

E-mail: jan.benadik@land.gov.sk

Intermediate body under managing authority:

Agricultural Paying Agency

Contact address:

Sekcia projektových podpôr

Dobrovičova 12

812 66 Bratislava

Phone: ++421 2 59266 317

E-mail: jbarsvary@apa.sk

Paying Authority:

Ministry of Finance of the Slovak Republic

Department of Paying Authority for Structural Funds

Contact address:

Štefanovičova 5

817 82 Bratislava

Phone: ++421 2 5958 3312

E-mail: mzubriczka@mfsr.sk

Paying Unit:

Agricultural Paying Agency

Contact address:

Paying Section

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The accredited SAPARD Agency is the core element of **Agricultural Paying Agency**. The qualified staff of the Agency is experienced in preparation of the operational manual and has proven their expertise in the process of accreditation, and implementation of the SAPARD Program. The Agency created a number of central and regional branch offices, and, once the necessary staff recruitment is completed, the offices will be ready to implement SOP.

Monitoring Committee:

Pursuant to respective EC Regulations, it is the duty of the managing authority to establish a SOP Monitoring Committee within three months from the date of SOP approval.

10. FINANCIAL MANAGEMENT

The financial management system includes a comprehensive set of mutually sequenced and interlinked subsystems and activities that provide for efficient financial planning, budgeting, accounting, reporting and payments to final beneficiaries, monitoring of financial flows and financial control in the course of implementation of assistance from the structural funds.

Pursuant to Article 18(2)(d) of general regulation on structural funds this part describes the institutions and authorities structure, procedures and arrangements for financial management, including the control and internal audit of **Sectoral Operational Programme Agriculture and Rural Development**, while taking into account the respective legal regulations of the European Communities regarding the structural funds as well as the legal regulations of the Slovak Republic and the decrees approved by the Slovak Government.

By Decree No 1008/2003 the Slovak Government approved an updated Concept of the financial management system of the structural funds that stipulates the financial management system of the structural funds more in detail at the level of programming documents, while taking into account the speciality of individual funds, programming documents, bodies involved in the structural funds management and implementation and final beneficiaries.

10.1 Bodies involved in the financial management system and their responsibilities

The bodies involved in the financial management system of SOP Agriculture and Rural Development are:

- Paying Authority – Department of Paying Authority for Structural Funds of the Ministry of Finance SR;
- Managing Authority – Department of Structural Policy of the Ministry of Agriculture SR;
- Intermediate Body under the Managing Authority – Agricultural Paying Agency;
- Paying Unit – Paying Department of Agricultural Paying Agency;
- Final Beneficiary;
- Body issuing Declaration on Winding-up of the Assistance from structural funds – Supreme Audit Office SR;
- Control Section of the Ministry of Finance SR, responsible for co-ordination of planning and executing of the minimum 5 % control (sample checks) of the total eligible expenditure of the Program;
- Control Department of Agricultural Paying Agency;
- Financial Control Administrations;
- OLAF Central Contact Point for SR – Control Section of the Government Office SR;
- Department of Internal Audit of the Ministry of Agriculture SR;
- Internal Audit Unit of the Ministry of Finance SR.

The main principle in determining the bodies involved in structural funds management is strict separation of management and payment functions.

10.1.1 Paying Authority

The Paying Authority for SOP Agriculture and Rural Development is the Ministry of Finance SR – Department of Paying Authority for Structural Funds.

The Paying Authority is responsible in particular for the following tasks:

- Co-ordination of the preparation of all working and accounting procedures related to the receipt of the payment on account, interim payments and payment of the final balance from the European Commission, and of the execution of these activities;

- Preparation and forwarding of applications for interim payments to the European Commission for all programs supported by the structural funds;
- Preparation and forwarding of application for payment of the final balance to the European Commission for all programs supported by the structural funds;
- Preparation, certification and submission of the statement of expenditure to the European Commission, based on the partial statements of expenditure and monthly lists of effected payments submitted by the Paying Units and on verification of selected declarations of verification prepared by the Managing Authorities or the Intermediate Body under the Managing Authority;
- Verification, prior to the certification, of procedure used by the Managing Authority, Intermediate Body under the Managing Authority and Paying Unit, to ensure that the statement of expenditure only comprises eligible and actual expenditure effected within the eligibility period (Commission Regulations No 2000/1685/EC and 2003/1145/EC laying down detailed rules for implementation of the Council Regulation No 99/1260/EC as regards eligibility of expenditure of operations co-financed by the structural funds), that the controls of delivery of the co-financed constructions, goods and services and of reality of claimed expenditure have been made, that applicable EC regulations are complied with, that supporting documentation is available, and that the audit trail has been maintained and respected;
- Receipt of EU sources a the special off-budget account of the Ministry of Finance SR;
- Transfer of the structural funds means from the special off-budget account of the Ministry of Finance SR to the revenue account of the respective ministry on the basis of summary request for payment from the Paying Unit;
- Preparation and submission to the European Commission of estimate of drawing of expected expenditure in the applicable year and in the following year based on documentation provided by the Managing Authorities by 30 April each year;
- Return of payments unduly used, including interest on late payment, to the European Commission;
- Collection of data for the report on identified irregularities and forwarding the documentation to OLAF Central Contact Point for SR at the Government Office SR;
- Introduction of the uniform accounting system for the Paying Authority and the Paying Units, including the delivery of uniform information system for the accounting for the Paying Units;
- Maintenance of accounting, reporting and archiving of documents in compliance with EC regulations and SR law;
- Keeping of a debtors ledger;
- Participation of its representative in execution of minimum 5 % controls organised by the Control Section of the Ministry of Finance SR;
- Participation of its representative in tender procedures for projects as an observer, in the case that the selection of project is adjudicated by the selection committee comprised of representatives from many bodies, i.e. that the selection of project is not adjudicated by a single Managing Authority or Intermediate Body under the Managing Authority.

10.1.2 Managing Authority

The Managing Authority for SOP Agriculture and Rural Development is the Ministry of Agriculture SR – Department of Structural Policy.

The Managing Authority for Sectoral Operational Programme Agriculture and Rural Development in relation to financial management ensures:

- Creation of an appropriate system for SOP Agriculture and Rural Development implementation;
- Co-financing of SOP Agriculture and Rural Development from the state budget;
- Control of performing the powers delegated on Intermediate Body under the Managing Authority;
- Conclusion of contract on delegating the powers with the Intermediate Body under the Managing Authority and its submission to the Managing Authority for CSF and Paying Authority, including possible supplements, for information;
- Submission of internal procedures, including any changes, to the Paying Authority;
- Verification of SOP Agriculture and Rural Development's compliance with the national SR regulations and EC policies as regards the state aid, public procurement, environment protection, equal opportunities and publicity;
- Submission of reports on internal audit findings on Managing Authority and report on external audit findings on Managing Authority to the Paying Authority.

10.1.3 Intermediate Body under the Managing Authority

The Managing Authority delegates some of its functions to Intermediate Body under the Managing Authority, however, the overall responsibility for SOP Agriculture and Rural Development management remains with the Managing Authority.

Intermediate Body under the Managing Authority for SOP Agriculture and Rural Development is Agricultural Paying Agency.

Intermediate Body under the Managing Authority for Sectoral Operational Programme Agriculture and Rural Development in relation to financial management ensures:

- Submission of internal procedures, including any changes, to the Paying Authority;
- Conclusion of contracts with the final recipients, including provisions enabling sanctioning in case of failure to meet the specified conditions, and if necessary, issuance of consents with commencement of work;
- Verification of co-financing of individual projects from the sources of the final beneficiary and from other national sources;
- Formal check of requests of the final recipients for payment;
- Control of the physical implementation of chosen projects (on-the-spot control);
- Ex-ante verification of reality, eligibility, accuracy, topicality and lack of overlapping of expenditure claimed by the final recipient;
- Verification of the final recipient's request for payment compliance with state aid scheme in the case the project is part of state aid scheme;
- Verification whether the claimed expenditure of the final recipient match with financial tables in the contract with the final recipient;
- Preparation and forwarding of the declaration of verification to the Paying Unit;

- Approving and submitting the requests of final recipients for payment to the Paying Unit;
- Preparation and submission to the Paying Authority of report on identified irregularity in case of its detection on the basis of ex-ante control;
- Preparation and submission of the estimate of expected expenditure to the Paying Authority by 30 March of respective year;
- Submission of reports on internal audit findings on Intermediate Body under the Managing Authority and of reports on external audit findings on Intermediate Body under the Managing Authority to the Paying Authority;
- Keeping and observing of internal procedures, including the audit trail, at each level of management;
- Keeping of all documentation related to the expenditure and control of EC assistance for a minimum of 5 years from the effecting of payment of the final balance by the European Commission.

10.1.4 Paying Unit

The Paying Unit for SOP Agriculture and Rural Development is Paying Department of Agricultural Paying Agency.

The primary task of the Paying Unit is, in compliance with Act No 303/1995 Coll. on Budgetary Rules as amended, to ensure the transfer of means of EU and of national co-financing from the state budget from the expenditure account of the respective ministry or budgetary organisation to the account of the final beneficiary, based on execution of ex-ante financial control in accordance with Act No 502/2001 Coll. on Financial Control and Internal Audit as amended.

The Paying Unit in relation to financial management of SOP Agriculture and Rural Development ensures:

- Submission of internal procedures, including any changes, to the Paying Authority;
- Execution of ex-ante financial control prior to disbursement in line with § 9 of Act No 502/2001 Coll. on Financial Control and Internal Audit as amended, comprising formal control of documents submitted by the Managing Authority or Intermediate Body under the Managing Authority, check of requests match with project financial plan and budget limit for the given priority and measure;
- Issuance of request for execution of payment to the State Treasury for transfer of EU means to final beneficiaries in line with § 55f of Act No 303/1995 Coll. on Budgetary Rules as amended no later than three working days after their credit to the revenue account;
- Transfer of means for co-financing from the state budget to the final beneficiaries in the form of pre-financing (in case of final beneficiaries from the public sector) or refunding;
- Completion and submission of the summary requests for payment and partial statements of expenditure to the Paying Authority;
- Maintenance of accounting, reporting and archiving of documents in compliance with EC regulations and SR law;
- Keeping of a partial debtor ledger;
- Submission of the list of effected payments from its expenditure account to the Paying Authority for the respective month structured according to EU sources and national co-financing sources from the state budget together with a copy of the expenditure account statement no later than the fifth day of the following month;

- Preparation and submission of report on identified irregularity to the Paying Authority in case of its detection on the basis of ex-ante control;
- Submission of reports on internal audit findings on the Paying Unit and report on external audit findings on the Paying Unit performed by the European Court of Auditors or respective Directorate General of the European Commission, to the Paying Authority.

10.1.5 Body issuing the Declaration on Winding-up of the Assistance from Structural Funds

Pursuant to the Slovak Government Decree No 1030/2002 the Supreme Audit Office SR is the body issuing the Declaration on Winding-up of the Assistance. Its responsibility is to prepare the Declaration on Winding-up of the Assistance for SOP Agriculture and Rural Development, which is prerequisite for submitting the application for payment of the final balance from the European Commission. This body is functionally independent of the Managing Authority, Intermediate Body under the Managing Authority and persons in charge of certification within the Paying Authority.

10.1.6 Control Section of the Ministry of Finance SR

Control Section of the Ministry of Finance SR is the body responsible for co-ordination of planning and executing the sample checks on projects (minimum 5 % control of total eligible expenditure of programme). Within the Control Section, it is the Department of Financial Control of EC means that ensures the tasks mentioned below.

Control Section of the Ministry of Finance SR is in relation to SOP Agriculture and Rural Development responsible in particular for:

- Co-ordination of planning and executing the minimum 5 % controls, collection of their findings and their submission to the Paying Authority;
- Preparation of the plan of minimum 5 % controls of total eligible expenditure for SOP Agriculture and Rural Development on the basis of partial plans of Control Department of Agricultural Paying Agency, and their submission to the Paying Authority and European Commission;
- Ensuring the minimum 5 % control of total eligible expenditure of SOP Agriculture and Rural Development before winding-up of the assistance in line with the plan of minimum 5 % controls or from its own initiative through the Department of financial control of EC means, respective Financial Control Administration and Control Department of Agricultural Paying Agency;
- Adjudication in the administration proceedings in cases of breach of budgetary discipline on the basis of completed controls.

10.1.7 Control Department of Agricultural Paying Agency

The control unit ensuring the execution of minimum 5 % control of total eligible expenditure of SOP Agriculture and Rural Development is Control Department of Agricultural Paying Agency.

Control Department of Agricultural Paying Agency performs the minimum 5 % control before winding-up of the assistance in line with the plan of minimum 5 % controls approved by Control Section of the Ministry of Finance or from its own initiative. Control Department of Agricultural Paying Agency forwards reports on executed controls continuously to the Control Section MF SR, which submits them to the Paying Authority.

10.1.8 Financial Control Administrations

Financial Control Administrations are budgetary organisations of the Ministry of Finance SR with the headquarters in Bratislava, Zvolen and Košice, having territorial competencies in the individual SR regions.

Financial Controls Administrations in relation to SOP Agriculture and Rural Development perform in particular the following tasks:

- Execution of minimum 5 % control of total eligible expenditure of SOP Agriculture and Rural Development before winding-up of the assistance in line with plan of minimum 5 % controls approved by Control Section of the Ministry of Finance SR;
- Imposing of levies and penalties for unduly use or retention of EAGGF and state budget means in compliance with Act No 303/1995 Coll. on Budgetary Rules as amended;
- Enforcement of levies and penalties imposed for unduly use or retention of EAGGF and state budget means in compliance with Act No 440/2000 Coll. on Financial Control Administrations as amended.

10.1.9 OLAF Central Contact Point for SR

The role of the OLAF Central Contact Point for SR is performed by the Control Section of the Government Office SR. This body is responsible in particular for preparation of the report on irregularities on the basis of documentation provided by the Paying Authority and its submission to OLAF in European Commission.

10.1.10 Internal Audit

The internal audit of Managing Authority is carried out by the Department of Internal Audit of the MoA SR. The internal audit of the Intermediate Body under Managing Authority and of the Paying Unit is performed by the Department of the Internal Audit of the APA.

The internal audit of the Paying Authority is performed by Internal Audit Unit of the Ministry of Finance SR.

Internal auditor / internal audit unit/department is responsible in particular for the following tasks:

- Collecting and analysing the information related to activities of audited body with a focus on attaining the internal audit purpose and objectives;
- Preparing the annual plan of activities on the basis of objective assessment of risks resulted from audited bodies' activities with taking into account the proposals of the respective minister, and its forwarding to the Department of Financial Control and Internal Audit Methodology of the Ministry of Finance SR;
- Performance of internal audit of all audited bodies' activities, primarily those which are considered to be linked to risk in their character, extent and method of implementation;
- Preparation of reports on internal audit findings after the performance of internal audit which contains in particular the subject of internal audit, shortcomings identified by internal audit and recommendations to audited body for remedy of shortcomings identified;
- Submission of reports on internal audit findings to the head of audited body and the respective minister. If the internal audit findings establish grounds for legal proceedings or their solution belongs to the actions of bodies relevant according to particular regulations, the internal auditor must deliver report on the internal audit findings also to the body concerned with legal proceedings or body responsible for particular regulations.

10.2 Financial flows

The payments of structural funds financial resources from the European Commission are transferred to a special account of the Ministry of Finance SR in the State Treasury for the commitments approved by the European Commission. Certified applications for interim payment and payment of the final balance are submitted by the Paying Authority to the European Commission on the basis of documentation provided by the Paying Unit.

The interest generated from EC means on the special account of MF SR are allocated by the Paying Authority to the same purpose of assistance.

The State Treasury transfers EC structural funds means from the MF SR special account in State Treasury to the revenue account of the Paying Unit three times a month at the amount of approved payments to the final beneficiaries, on the basis of the request from the Paying Authority for execution of payment.

Payments of EU resources to final beneficiaries are carried out by the State Treasury on the basis of the request from the Paying Unit for execution of payment from the expenditure account of this body concurrently or after the transfer of state budget means for co-financing.

Payments in connection to the national co-financing from the state budget are transferred by the State Treasury from the Paying Unit's expenditure account to the final beneficiaries' accounts concurrently or prior to the EU means, on the basis of the Paying Unit's request for execution of payment. The request for execution of payment for transfer of state budget means from co-financing from Agricultural Paying Agency expenditure account must be issued concurrently with the request for execution of payment for transfer of EC means to the final beneficiaries from the private sector. For the final beneficiaries from the public sector the system of pre-financing from the state budget means for co-financing is applied.

10.3 Use of the euro

The use of the euro is governed by the Commission Regulation No 2000/643/EC on provisions for the use of euro for the structural funds purposes.

Financial plan of SOP Agriculture and Rural Development is prepared in EUR.

Contracts with the final beneficiary are concluded in SKK.

The Paying Authority receives EU funds at MF SR special account for the respective program, held in SKK. The transfers from this account to the account of Paying Unit for EU resources are carried out in SKK.

Converting the means from EUR to SKK, the exchange rate of the National Bank of Slovakia is applied, valid at the date of crediting the EU means to the MF SR special account.

The applications for interim payment and payment of the final balance from the European Commission must be submitted to the European Commission in EUR.

The statement of expenditure attached to the respective application for interim payment or payment of the final balance from European Commission must be prepared in EUR.

Eligible expenditure already effected by the final beneficiaries and converted from SKK to EUR when preparing the statement of expenditure, are converted using the exchange rate of the European Central Bank valid on the last but one EC working day of month prior to the month when the transaction (i.e. transfer of EU means to the final beneficiary's account) was recorded at the Paying Unit.

The exchange rate variances generated by the difference between the European Central Bank and National Bank of Slovakia exchange rates, are becoming expenditure (ECB rate EUR/SKK > NBS rate EUR/SKK) or revenue (NBS rate EUR/SKK > ECB rate EUR/SKK) for the state budget. The Paying Authority shall account for exchange rate variances.

10.4 Control

In compliance with Act No 502/2001 Coll. on Financial Control and Internal Audit as amended, the Ministry of Finance SR as a central body of state administration for the financial control and internal audit methodically directs and co-ordinates the execution of the financial control in the public administration including the structural funds and Cohesion fund means granted to the Slovak Republic on the basis of international agreements.

Execution of structural funds financial control is based on the Slovak Republic legislation and EC legislation. At the same time it takes into account the experience gained from the approach of individual EU member states to the arrangement of financial control and the recommendation of individual Directorates General of the European Commission.

10.4.1 Control of the physical implementation of the project

Control of the physical implementation of the project subject to Article 4 of Commission Regulation No 2001/438/EC, is performed by:

1. Final beneficiary

Before the transfer of means to the contractor, the final beneficiary is obliged to perform the physical and formal check of all accounting documents.

2. Intermediate Body under Managing Authority

Intermediate Body under Managing Authority is responsible for the performance of the control of the physical implementation of the project. Managing Authority must make certain that the Intermediate Body performs such controls to the necessary extent.

10.4.2 Minimum 5 % control of total eligible expenditure

Control Section MF SR is responsible for arranging for minimum 5 % control of total eligible expenditure of respective programming document before winding-up of the assistance.

Minimum 5 % control of structural funds is performed by Control Section MF SR through the Department of financial control of EC means, Control Department of Agricultural Paying Agency and territorially respective Financial Control Administrations.

Body performing minimum 5 % control of operations and projects must be organisationally separated from the Managing Authority, Intermediate Body under Managing Authority, Paying Unit and payments execution at the Paying Authority.

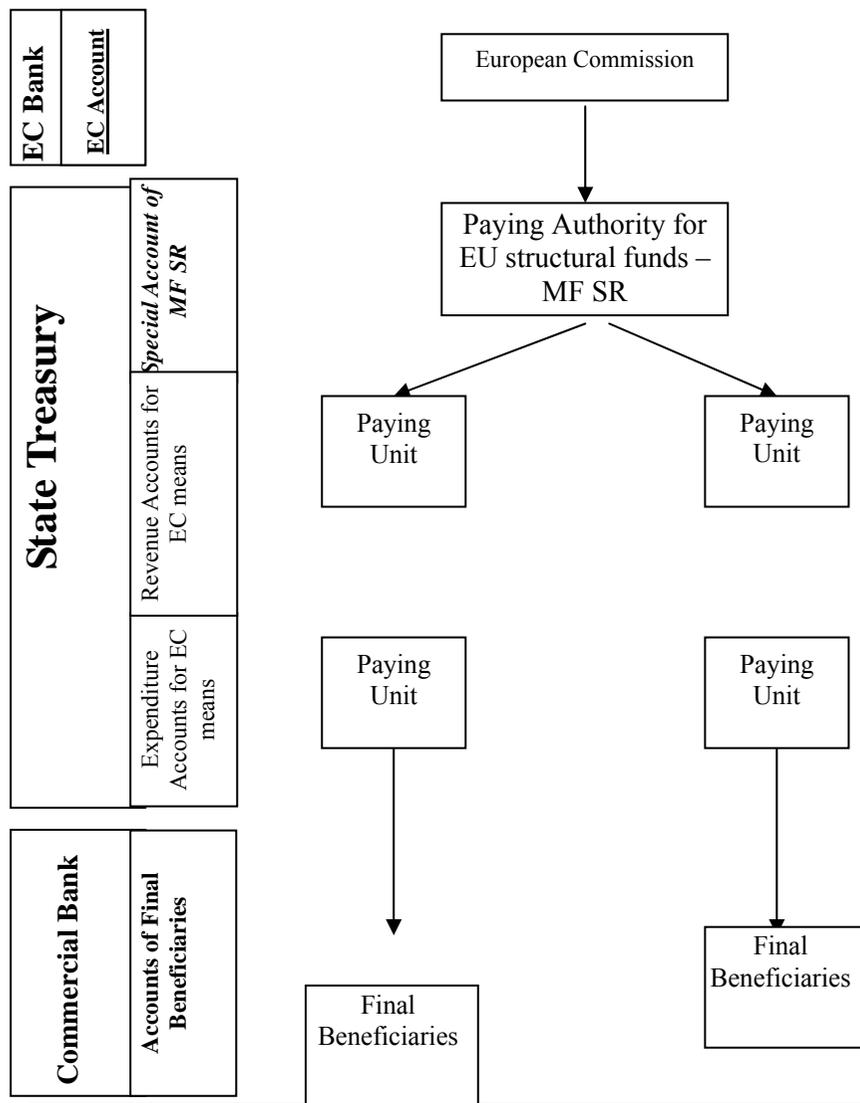
Controls are organised and co-ordinated in such a manner so as to ensure even spread of controls implementation over the whole period of drawing the means. Performance of risks analysis and following selection of samples are ensured by the Control Section MF SR when drawing-up the plan of controls for the respective period and on the basis of information obtained from the Control Department of Agricultural Paying Agency and Financial Control Administrations as well.

10.4.3 Declaration on Winding-up of the Assistance

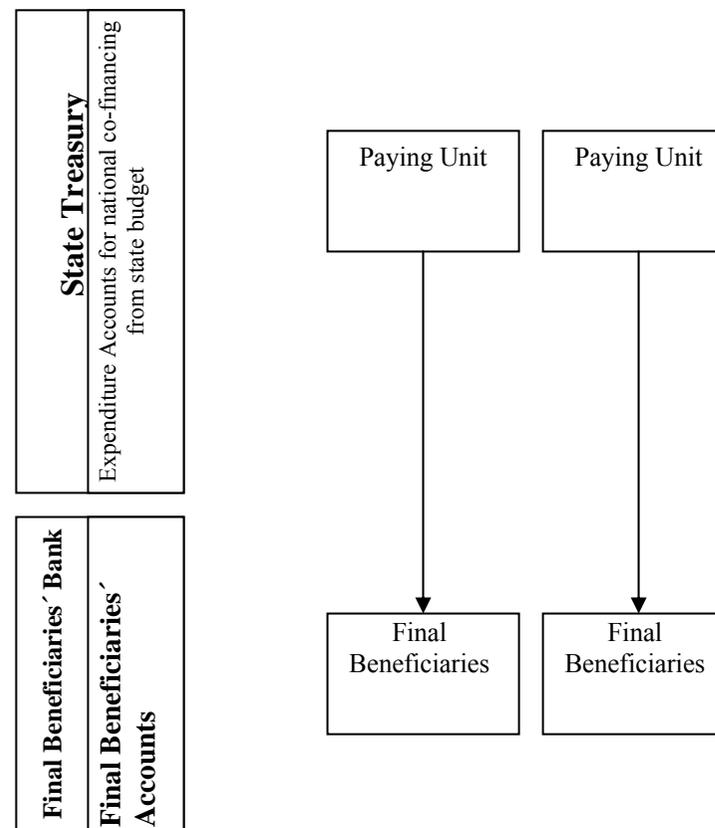
Supreme Audit Office SR is the body issuing the Declaration on Winding-up of the Assistance. It is its responsibility to prepare a Declaration on Winding-up of the Assistance for SOP Agriculture and Rural Development, which is the precondition for submission of application for payment of the final balance from the European Commission.

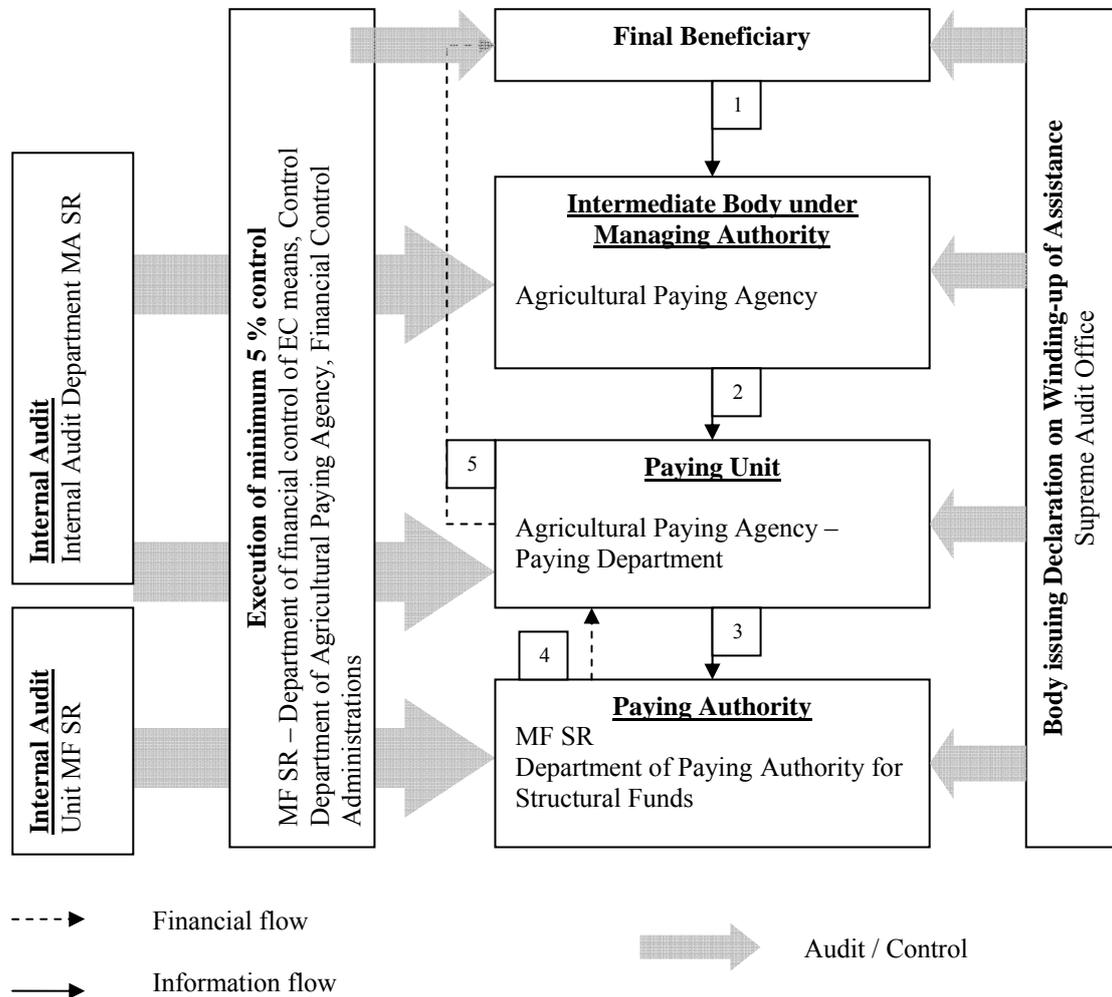
Principles of preparing the Declaration on Winding-up of the Assistance are based on Articles 15, 16 and 17 of Commission Regulation No 2001/438/EC.

EAGGF financial flow



State budget national co-financing financial flows



Information and financial flows circulation scheme for SOP Agriculture and Rural Development:

1. Request of the final beneficiary for payment
2. Declaration of verification by the Intermediate Body under the Managing Authority
3. Summary request for payment
4. Payment of EAGGF means from the Paying Authority's account
5. Payment of EAGGF and state budget means to the final beneficiaries

11. PROGRAMME MONITORING

The proposal of SOP indicators is based on the need for monitoring and assessment of efficiency for the defined priorities, measures and sub-measures. The monitoring shall be completed with regard to the SOP indicators and the formal arrangements issued by EC.

Collection of data about implementation of the program is based on electronic IT monitoring system created for the purpose of structural funds.

The monitoring indicators shall include:

- a) Financial indicators to monitor inputs;
- b) Indicators to specify the economic situation;
- c) Specific indicators for the individual measures, which are designed to monitor outputs.

Indicators to meet SOP objectives:

Inputs:

- Total budget
- Total amount of liabilities
- Total amount of paid liabilities.

Outputs:

- Reduce production costs
- Increase product quality
- Improve animal welfare
- Reduce adverse environmental impact of agriculture
- Extent of interventions in the forestry
- Increase quality of fisheries and fish processing
- Integrated rural development
- Optimal spatial and functional land consolidation within a polyfunctional structure of common facilities and measures,
- Land market development
- Diversification of agricultural activities
- Recreational capacities expansion in rural areas
- Professional training activities.

Impact:

- Competitiveness
- Viability
- Job positions
- Quality and assortment of products
- Quality of services
- Infrastructure
- Tourist attendance in a particular area
- Protection of environment and biodiversity
- Level of education
- Income in rural areas.

Detailed provisions for indicators will be included in the Programme Complement.

12. MONITORING COMMITTEE (MC)

Monitoring of the SOP Agriculture and Rural Development will be carried out by the Managing Authority under the supervision of the Monitoring Committee. The main aim of the monitoring is ensure assessment of progress towards achievement of the physical and financial indicators.

Monitoring committee will be established in accordance with Article 35 of the Council regulation (EC) No 1260/99. The Monitoring Committee will supervise Managing Authority of SOP. The membership of the committee includes social partners, representatives of the state administration, self-government, professional associations and unions, non-governmental organisations. Because of possible modifications that can result from the implementation of the Programme the MC members are not further specified in this document. The participation of different sectors will be balanced. The MC will be chaired by a representative of the Managing Authority. The Commission shall participate in an advisory capacity.

The main tasks of the MC are defined in Article 35 of the General Regulation on the EU Structural Funds and as regards fishery sector Regulation (EC) No. 366/2001 has to be taken into account. Besides its main tasks, the MC also prepares proposals for the Managing Authority relating to the effective and directed use of the EU Structural Funds.

The main task of the MC is the regular supervision and evaluation of the implementation of the Operational Programmes. Other tasks of the MC include in particular:

- Confirmation or modification of the Programme complement, including the material and financial indicators that are used for the monitoring of the assistance. Prior to the each additional modification, approval by the MC must be secured;
- Negotiation and approval of criteria for the selection of activities financed within the framework of the each measure within six months after the approval of the assistance;
- Periodical assessment of the progress leading to the achievement of specific objectives of the assistance;
- Evaluation of results based on the provided assistance, in particular achievement of objectives set out within the framework of the ex-post evaluation of individual measures;
- Negotiation and approval of annual and final implementation reports that are sent to the EC;
- Negotiation and approval of the each proposal for modification of the EC Regulation regarding contribution from Funds;
- Proposing to the Managing Authority any modifications or revision of the assistance;
- Approval of reallocation of the financial assistance between individual measures within the framework of the Operational Programme and subsequent informing EC about such re-allocation (within one month).

The tasks of the MC will be defined in more detail in the MC's Statutes that will be approved on the first meeting of the Committee.

The Secretariat for the Programme Monitoring Committee shall be provided by the Department of Structural policy, which will be responsible for the preparation of documentation relating to the monitoring, reports, agendas and summary records of meetings.

13. EX-ANTE AND EX-POST EVALUATION OF THE PROGRAMME

The evaluation, as well as the monitoring shall be a vital part of SOP implementation. The evaluation shall contribute to increased transparency and accountability of the Programme implementation and to the better use of such a Programme. The objective of the evaluation is to find out whether or not the

public funding contributed to meeting the Programme objectives and to analysis of the achieved structural effects. The evaluation shall be made in compliance with Regulation No 1260/99.

Due to reduced programming period only the Ex-Ante and Ex-Post evaluation shall be completed for SOP ARD.

Ex-ante evaluation

The objective of ex-ante evaluation is to verify during the preparation of SOP and Programme Complement whether the suggested strategies, priorities, measures, as well as the financial allocations are appropriate enough.

Ex-post evaluation

The purpose of ex-post evaluation is to assess the results and impact of SOP. In cooperation with EC, the managing authority shall provide for ex-post evaluation to be carried out by independent experts. The evaluation must be completed within three years from the end of the programming period.

14 COMPLIANCE WITH COMMUNITY POLICIES

SOP has been prepared in compliance with Regulation No 1257/1999 on the support for rural development from EAGGF, and implementing regulations and for fishery sector according to Regulation No 1263/1999 on financial instrument for fisheries guidance and in conformity with Regulation 2792/1999, Regulation 366/2001, Regulation 2369/2002, Regulation 2371/2002 and the Common Fishery Policy.

In compliance with Article 12 of the Regulation No 1260/1999, SOP only supports such activities which are in compliance with the Treaty establishing the European Community, with the instruments approved within its framework and Community policies, including competition rules, public procurement, environment protection and improvement, and on removing the imbalances between and providing equal opportunities to men and women.

In particular, all operations undertaken shall comply with the Habitats and Wild Birds Directives (92/43/EC and 79/409/EC) and where applicable with the Directive on Environmental Impact Assessment (85/337/EEC as amended by 97/11/EC). Additionally, all actions realised must be carried out according to the Slovak legislation on environment. In cases where applicable environmental Community legislation is not yet transposed into national legislation, the relevant EU Directives shall directly apply until their effective transposition.

The structural intervention in the framework of this Operational Programme for agriculture and rural development concerning the fisheries sector and more particularly aquaculture and processing and marketing must be in conformity with the objectives of the Common fishery policy.

These interventions are particularly subject to the specific requirements and provisions fixed in Council Regulation (EC) No. 1263/1999 and No. 2792/1999, lastly amended by Council Regulation (EC) No. 2369/2002 of 20th December 2002.

These provisions have to be respected even in the exceptional case of a fisheries action being financed by another Fund.

The intervention concerning the protection of aquatic resources, aquaculture, processing and marketing, and inland fisheries should have a sustainable economic effect. The envisaged structural actions should give a sufficient guarantee of technical and economic viability and should particularly avoid the risk of creating any production over-capacity.

15 LINK TO OTHER PLANS IN THE FIELD OF RURAL DEVELOPMENT

In order to draw the funds from the Guarantee Section of EAGGF, the Rural Development Plan of the Slovak Republic has been prepared. The plan will support the measures resulting from Council Regulation (EC) No 1257/1999 and the Accession Treaty:

- Less favoured areas and areas with environmental limitations (Under Articles 13, 14, 15, 16, 17, 18, 19, 20, 21)
- Agri-environmental support (subject to No 22,23,24)
- Afforestation of agricultural land (subject to Article 31)
- Producer groups
- Support of semi-subsistence farms
- Meeting standards
- Complements to direct payments
- Technical assistance.

The said measures shall be horizontally implemented under given conditions and shall complement the measures of the Sectoral Operational Programme.

As a part of the Rural Development plan, some SOP measures shall be implemented (Investments into agricultural holdings, Improving processing and marketing of agricultural products, Forestry,, Promoting the adaptation and development of rural areas, Training) in the areas of Objective 2 (Bratislava region).

Measure Renovation and development of villages shall be carried out as a part of the Single Programming Document for Objective 2 - from ERDF.

Sectoral Operational Programme Agriculture and Rural Development EAGGF – Guidance Section	Rural Development Plan SR EAGGF - Guarantee Section
Objective 1 <ul style="list-style-type: none"> ▪ Investments into agricultural holdings ▪ Improving processing and marketing of agricultural products ▪ Forestry ▪ Fisheries (co-funded through FIFG) ▪ Promoting adaptation and development of rural areas ▪ Training ▪ Technical assistance 	Horizontally <ul style="list-style-type: none"> ▪ Less favoured areas ▪ Agri-environmental support ▪ Afforestation of agricultural land ▪ Setting up of producer groups ▪ Meeting Standards ▪ Semi-subsistence farms ▪ Complements to direct payments ▪ Technical assistance
	Objective 2 <ul style="list-style-type: none"> ▪ Investments into agricultural holdings ▪ Improving processing and marketing of agricultural products ▪ Forestry ▪ Promoting adaptation and development of rural areas ▪ Training

Single programming document ERDF
Objective 2 <ul style="list-style-type: none"> ▪ Renovation and development of villages and preservation of rural heritage

Aid overlapping under the SOP ARD (sub-measure “Diversification of agricultural activities”) and SOP Industry and services (measure “Support of business activities in tourism”) is prevented by different groups of recipients of aid in these measures. In the case of the sub-measure “Diversification of agricultural activities” of SOP ARD, the beneficiaries are agricultural and forestry enterprises, the share of annual revenues from primary agricultural or forestry production in total business revenues represents at least 30%, while in SOP IS in measure “Support of activities in tourism”, they are business entities, associations of tourism at local or regional levels, ad hoc partnerships of business and non-business entities. During the negotiations with the Managing Authority of SOP IS it has been arranged that they will not accept applications from agricultural and forestry entities.

The co-ordination of supported activities under the SOP ARD in sub-measure “Diversification of agricultural activities” and under the SOP Basic Infrastructure in measure “Renovation and development of villages and preservation of cultural heritage” and their interconnection will be ensured by the actions of the relevant municipal office which will issue the necessary construction permits within the spatial planning documentation provided that they will be consistent with these documents.

In the field of training the SOP ARD will support training activities targeted for entities of agricultural and forestry primary production and processing and marketing of products in both branches. The aim is to increase the level of vocational training within the sector while training supported by ESF can be characterised like training of working power in general in order to increase their employability.

16 STATE AID

SOP Agriculture and Rural Development will be implemented by the Managing Authority from the guidance section of the EAGGF, FIFG and other financial institutions such as national resources in accordance with the provisions of the EC Treaty and the instruments applied under the EC policies in the field of economic competition.

To fulfil the commitment resulting from the Accession Treaty the Slovak Republic has committed itself to adopt the implementation rules on granting State aid approved by the Association Council on 22 November 2001 under the No 6/2001 and published in the Codex of SR on 18 April 2002 under the No 186/2001 Coll. whereby they came into force in the territory of the SR. The implementation rules ensure the direct application of EU legislation in the field of State aid.

Within the EU Structural funds, granting of the state aid will be carried out under the provisions of so called common guidelines, namely Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (further referred to as „common guidelines“). Article 12 of this Regulation states that operations financed from the Structural Funds of the EU must be in accordance with the provisions of the EC Treaty and must be compatible with its adopted instruments, as well as with the policies and Community activities including the rules on economic competition in the EU. In the Art 18 of this Regulation, an explicit requirement of compliance with certain Articles of the EC Treaty regarding granting of state aid is laid down.

Article 51 of Council Regulation (EC) No 1257/1999 reads as follows:

1. *Save as otherwise provided for in this Title, Articles 87 through 89 of the Treaty shall apply to aid granted by member states for measures to support rural development.*

However, Articles 87 through 89 shall not apply to financial contributions provided by member states for measures subject to Community support within the scope of Article 36 of the Treaty in compliance with provisions of this Regulation.

2. *Aid for investment in agricultural holdings, which exceeds the percentage referred to in Article 7 shall be prohibited.*

This prohibition does not apply to aid for investments relating to:

- Investments undertaken predominantly in the public interest related to the conversion of traditional landscapes shaped by agricultural and forestry activities or relocation of farm buildings,
 - The protection and improvement of the environment,
 - Improvement of the hygiene conditions of livestock enterprises and the welfare of animals.
3. State aid granted to farmers to compensate for natural handicaps in less-favoured areas shall be prohibited if it does not satisfy the conditions laid down in Articles 14 and 15.
 4. State aid to support farmers, who give agri-environmental commitments, which fail to satisfy the conditions laid down in Articles 22 to 24, shall be prohibited. However, additional aid exceeding maximum amounts fixed according to Article 24 (2) may be granted if justified under paragraph 1 of that Article. In duly justified exceptional cases derogation may be permitted in respect of the minimum duration of these commitments as laid down in Article 23(1).

Article 52 of Council Regulation (EC) No 1257/1999 reads as follows:

Within the scope of Article 36 of the Treaty, State aid intended to provide additional financing for rural development measures for which Community support is granted shall be notified by Member States and approved by the Commission in accordance with the provisions of this Regulation as part of programming referred to in Article 40. The first sentence of Article 88(3) of the Treaty shall not apply to aid thus notified.

In accordance with Articles 9(m), 18.2(b) and 19.3 (b) of the EC Regulation 1260/1999 the SOP contains a summary description of the measures planned to implement the priorities of SOP, including the information needed to check the compliance with state aid pursuant to article 87 of the Treaty. In order to fulfil the requirements of the above regulation, the Managing authority will provide a list of state aids by measure, according to the format requested by the Commission.

State aid scheme concerning actions financed under FIFG within this programme are governed by the provisions of Article 19(2) of Council Regulation (EC) No. 2369/2002 of 20th December 2002.

There would be no national top-up financing for the same measures for which Community support is granted within this Programme. The measures of this Programme including sub-measures like 1.1. Investments in agricultural holdings, 1.2. Improved processing and marketing of agricultural products, 2.1. Forestry, 2.2. Fishery, 2.3.1. Land consolidation, 2.4. Training, 2.5. Technical assistance are in line with the relevant Community guidelines for state aid in particular sectors or do not constitute any state aid. In case of the sub-measure 2.3.2. Diversification of agricultural activities any state aid provided under this measure will be in conformity with the block exemption regulation 70/2001 on the application of Articles 87 and 88 of the EC Treaty to state aid to small and medium-sized enterprises.

17 EX ANTE EVALUATION AND THE SOCIAL PARTNERS' COMMENTS

A brief presentation of the comments made to the SOP is given below.

17.1 Ex ante evaluation of the SOP

Ex- ante evaluation was elaborated by a team made of independent experts from Ireland and local Slovak experts within a PHARE project. The company name is EURATA (European Union Rural & Agriculture Temporary Association) Agriconsulting Europe SA - a framework contractor for agriculture and rural development projects. This firm has a rich experience in the programming, evaluation and monitoring of similar projects in Central European countries as well as Western countries and owns skilled and educated experts. Address: 36, Avenue de Tervuren, B-1040, Brussels, Belgium. E-mail: eurata@agriconsultingeuropa.be.

The following description of the ex ante evaluation relates to the final version of the ex-ante evaluation of the SOP ARD that was submitted to Managing Authority in July 2003. This version, submitted on July 24th 2003 to the European Commission represents also a definitive final version of Ex-ante evaluation. The word 'evaluator' is used when referring to evaluation team behind the ex ante evaluation.

The description of the ex ante evaluation focuses on the conclusions and recommendations made in the report, especially in relation to the justification of the strategy and selected measures, and in relation to the consistency between objectives and priorities. Included in the description is a matrix showing which comments from the first working draft of the ex ante evaluation has been included in the present SOP.

The present ex ante evaluation focuses on six issues:

1. Analysis of previous evaluations
2. Analysis of the current situation
3. Assessment of the rationale and overall consistency of the strategy
4. Quantification of objectives
5. Evaluation of expected socio-economic impacts and justification of the policy and financial resources allocation
6. Quality of implementation and monitoring arrangements

Justification of the strategy, priorities and objectives

Evaluator **concludes** that the analysis of the current situation supports the choice of priorities and measures in the SOP. The analysis of the current situation is structured around an analysis of agricultural development issues, employment and equal opportunities issues and environmental management issues. All findings are summarized in a SWOT analysis. Evaluator has used the SWOT analysis in order to summarize a number of development needs. These are:

- A need for 'improving the competitiveness of agriculture and fishery etc.'
- A need for 'promote a more balanced pattern of development between rural and urban areas'
- A need for 'actions to sustain the rural environment'
- A need for 'actions that will create the human skills, social and cultural capital etc.'

In the ex ante evaluation, evaluator has made a comparison of these development needs and the objectives, priorities and measures of the draft SOP. The main **conclusion** is that the chosen priorities and measures are relevant. They correspond to the defined needs and are consistent with the objectives of the SOP.

The priorities and measures address very well the development needs defined in the SWOT analysis, except for the 'need to develop financial systems to meet the credit requirements of farming and other rural business', and the 'need to invest in research and development of new food products and markets'.

The need to develop financial systems and meet credit needs of farmers is important in relation to the take up rate of assistance. Many farmers have difficulties in providing acceptable collateral for loans for the matching funding. The evaluator therefore **recommends** the Paying Authority to consider making interim payments of grant aid, in order to support the farmers and improve the take up rate.

The evaluator furthermore **recommends** more targeting of the investments under measure 1, and more investigation of the linkages between the actions proposed under measure 1 and other interventions to encourage farmers to adopt new farming practices.

Consistency between objectives and policies

Evaluator has elaborated on the consistency between the objectives of the National Development Plan, the objectives and priorities of the SOP, and the internal consistency between the objectives, priorities

and measures of the SOP. Evaluator **concludes** that there is a high degree of consistency between the SOP objectives and the NDP objectives, since some measures have a direct impact on at least one of the NDP objectives, and some measures have an indirect impact on NDP measures. Evaluator furthermore **concludes** that there is a clear and direct linkage between the overall and specific objectives of the SOP, and between the priorities and objectives, although the definition of three global objectives for a single priority is a little unusual.

Evaluator mentions a number of national interventions of fundamental importance for the success of the SOP programme, e.g. the registration of land ownership and title and the formation of producers associations. At the same time, evaluator mentions a number of cases where national interventions may overlap with the programme. This includes the purchase of efficient machinery and technology, investments in agri-tourism and diversification of activities etc.

Evaluator compares the coherence between SOP objectives and EU policy objectives. This analysis **concludes** that the three SOP programme objectives show a medium or high level of coherence with most of the EU policy areas. SOP priorities and objectives are in coherence with EU policies in relation to issues as e.g. protection of the environment, reducing regional inequalities, employment and improvement of GDP. Consistency with the promotion of equal opportunities for men and women and social inclusion is less evident.

Evaluator furthermore stresses that complementary programme to address rural development issues as diversification is important if meaningful impacts should be achieved. However, potential overlap of programmes should be avoided.

Quantification of the objectives

In the present version of the SOP report indicators have been defined for all programme objectives, and targets have been set for most indicators. However, evaluator **recommends** that further refinement of the indicators and targets be done in order to improve monitoring and evaluation of the impact of the programme. Evaluator **recommends** that more quantitative indicators be used together with the qualitative indicators. To support this process, evaluator has included a list of possible headline indicators in the ex ante evaluation.

Allocation of resources

Evaluator **concludes** that the financial allocation of resources to be adequate, and the allocation between priorities and measures to be justified on basis of the development needs and the capacity to absorb the funds. However, in the future it may be relevant to increase allocations to measure 7¹ and 1. The financial management arrangements seem to be effectively defined in accordance with national procedures.

Legislation

Evaluator is in doubt whether the domestic legislation supporting the programme is in place and in conformity with Community rules. However, evaluator states that the administrative system is capable of ensuring compatibility with Community policies, but the issue has to be cleared out as soon as possible.

The table below summarises the evaluators comments on the early draft SOP report, adjustments in the current draft SOP and conclusions and recommendations in the updated ex ante evaluation. Furthermore, the table includes a column showing which of the recommendations from the updated ex ante evaluation have been incorporated in the final SOP.

¹ This measure has been transferred into the OP Basic Infrastructure.

Table: Ex ante recommendations

	Recommendations made in the ex ante evaluation	Incorporated in the final SOP (Yes/No)
Analysis of the current situation	<ul style="list-style-type: none"> • It was recommended to review the SWOT analysis • It was suggested to improve the analysis of the current situation including changes in the rural areas in order to verify the need for the interventions. • It was recommended improving the analysis of how the situation has changed, and how it will develop without intervention. • Description of the factors driving the change was needed and should be included in the SOP. 	YES
Assessment of the rationale and overall consistency of the strategy	<p><i>Structure, presentation of objectives and internal coherence</i></p> <ul style="list-style-type: none"> • It was recommended to incorporate a more precise presentation of the rationale for the strategy • Overall and specific objectives should be defined for programme, priorities and measures in a SMART manner. The actions proposed should be clearly defined. • The rationale for selecting the priority areas could be strengthened by synthesis of the rationale for the measures. <p><i>Relevance of the proposed actions</i></p> <ul style="list-style-type: none"> • Increase support to financial systems to meet the farmer's need for credit. • It is recommended that the Paying Authority considered making interim payments of grant aid. • It was suggested to make tighter targeting of the investments under measure 1. • The linkages between measure 1 activities and other national programmes could with advantages be investigated. <p><i>Relevance and consistency with national and EU policy</i></p> <ul style="list-style-type: none"> • SOP priorities and objectives are consistent with EU policy in regard to protection of the environment, reducing regional inequalities, improvement of GDP. However, consistency with creating equal opportunities between men and women and social inclusion is less evident. It is recommended to make this clearer in the programme • Other national intervention is needed in order to achieve a meaningful impact on e.g. rural diversification. However, potential overlaps between programmes should be avoided. It is therefore suggested to incorporate a passage in the SOP ensuring that there is no overlap. 	YES
Quantification of objectives	<ul style="list-style-type: none"> • Overall and specific objectives have to be defined for the programme, and operational objectives should be 	YES

	<p>defined for all measures.</p> <ul style="list-style-type: none"> • Output, result and impact indicators should be defined for all objectives. • Targets should be defined for all indicators. • Refinement of the result indicators is needed, e.g. for measure 1, 7a and 3b (see ex ante report page 87). • Use headline indicators as illustrated in figure 4.7 in the ex ante report. • Assumptions that underpin the estimates for defining targets should be reviewed. • An electronic project tracking and progress reporting system should be developed and implemented. • Baseline information should be collected in order to verify the impact indicators. 	
Socio-economic impacts and justification of the policy and financial resources allocation	<ul style="list-style-type: none"> • The capacity of the Managing Authority should be developed to manage the new initiatives. 	YES
Quality of implementation and monitoring arrangements	<ul style="list-style-type: none"> • Reflection on the structures that will assist the development of high quality applications is needed. • The membership of the Monitoring Committee should be clearly defined • Doubt whether the legislation underpinning the programme is in place. • The evaluation process for all measures requires clarification. 	YES

17.2 Consultation process with socio-economic partners

In accordance with Article 8 of Council Regulation (EC) No. 1260/1999 laying down general provisions on the Structural Funds, a working group has been set up at the Managing Authority to create partnership in the course of elaborating the Sectoral Operational Programme “Agriculture and Rural Development” which consists of a representative sample of socio-economic partners. Besides the state administration personnel, representatives of Slovak Agricultural and Food Chamber, profession associations (Association of Land-owners and Agri-entrepreneurs, Association of Farmers and Agri-entrepreneurs of Slovak Republic, Association of Fish-farmers), the entrepreneurs’ sector (Slovryb, Inc.), non-profit organizations (Gremium of the third sector, Rural Parliament, Daphne), Association of Towns and Villages of Slovakia and other institutions (Research Institute of Agricultural and Food-industry Economics, advisory firm PIAS, Slovak Agency of the Environment, Slovak Water-management holding) were nominated in the working group. There have been two meetings of the working group during 2002 – 2003, where the support frameworks based on Council Regulations (EC) No. 1257/1999 and No. 1263/1999, different priorities and measures, eligible investments and beneficiaries were discussed. The basic proposal of priorities, measures and eligible investments, which was negotiated by the working group, has been elaborated on the basis of the results of a survey conducted by the Managing Authority in the regions of Slovakia. The survey was conducted through 36 regional offices of the Ministry of Agriculture of the SR, which addressed regional economic, self-government and non-profit organizations.

Draft versions of the SOP were regularly consulted with socio-economic partners as well as outside the working group and their comments or proposals for amendments were incorporated into the SOP where the relevant legislation enabled it.

Following its publication on the web-site of the Ministry of Agriculture of the SR, subjects not being members of the working group were also offering their proposals for amendments, such as Slovak Association of Bee-farmers, Slovak Association of Millers, Association of Cooperative Farms and Commercial Companies of the SR, Union of Poultry Producers of Slovakia, Mills and Bakeries Krupina. The Managing Authority also led discussions with these subjects and consulted their proposals. The above mentioned activities satisfied the principles of partnership in the course of elaborating the basic Programme document which sets the Community Support Framework for Agriculture and Rural Development in the period of 2004 – 2006.

Slovak Agricultural and Food Chamber suggested inclusion of agricultural service enterprises in the beneficiaries group. It was not possible to include these in the beneficiaries of Measure 1 (Investments in agricultural holdings) but they were included in Measure 2 (Improving the processing and marketing of agricultural products). Other requests comprised modification of the economic viability criterion “total debt” to 80 % (the request was accepted) and inclusion of secondary processing companies in Measure 2 (the request was rejected because this field is not listed in Annex 1). Association of Towns and Villages of Slovakia requested retaining of Measure 7 (Renovation and development of villages and conservation of rural heritage) while keeping the financial allocation untouched. This measure was transferred into OP “Basic Infrastructure” within financial re-allocation among different operational programmes. Slovak Association of Bee-farmers proposed supporting the setting-up of family bee farms and maintaining of area bee coverage of Slovak countryside under the Diversification measure. This proposal was not accepted, as the activities named are not diversification ones.

LIST OF ABBREVIATIONS

SSFAFII	- The State Support Fund for Agriculture and Food Industry
RI AFE/VUEPP	- Research Institute for Agricultural and Food Economics
SFMR/SFTR	- The State Fund for Market Regulation of the Slovak Republic
Coll.	- Collection of Laws
NPF	- National Property Fund
SFPEAL	- The State Fund for Protection and Enhancement of Agricultural Land
SLF	- Slovak Land Fund
MoA SR/MP SR	- Ministry of Agriculture of the Slovak Republic
MF SR	- Ministry of Finance of the Slovak Republic
GDP	- Gross Domestic Product
FSL	- Forest Stands land
FLF	- Forest Land Fund
SO SR	- Statistical Office of the Slovak Republic
ROS	- Register of the Original State
TSES	- Territorial Systems of Ecological Stability
SHR	- private farmers – natural persons
STN	- Slovak Technical Standards
BAT	- Best Available Technology
ITMS	- Information Technology Monitoring System
OP	- Operational Programme
SOP	- Sectoral Operational Programme
SOP ARD	- Sectoral Operational Program "Agriculture and Rural Development"
SOP IS	- Sectoral Operational Program "Industry and Services"
NBS	- National Bank of Slovakia
MC	- Monitoring Committee